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NEW ENTERPRISE TEAM

(b)(3)-P.L. 86-36

(NETeam) Recommendations

(U) The Director's Work Plan for Change

1 October 1999

(U) Preface

It is not the strongest of the species that survives, nor the most intelligent; it is the one that is most adaptable to change.

—Darwin

(U//~~FOUO~~) Absent profound change at NSA, the nation will lose a powerful weapon in its arsenal. Stakeholders and customers are resigned to accepting diminished NSA capability, not because of insurmountable technological challenges, but because NSA has proven to be a poor steward of the nation's SIGINT and INFOSEC capabilities. They have already begun to separate NSA products and services, which they view as a national treasure, from NSA the institution, which they view as a threat to the continued availability of those products and services. NSA is an organization ripe for divestiture: its individual capabilities are of greater value than is the organization as a whole. The legacy of exceptional service to the nation that is NSA is in great peril. We have run out of time.

NSA is an organization ripe for divestiture: its individual capabilities are of greater value than the organization as a whole.

(U) Although our study concentrated less on how we got into this condition than on how to get out, we believe it is important to note that the answer to both questions lies in the same issue: leadership. NSA has been in a leadership crisis for the better part of a decade. It is the lack of leadership that is responsible for both NSA's failure to create and implement a single corporate strategy, and for the complete breakdown of the NSA governance process. Lack of leadership is also at the heart of unfortunate organizational behaviors that have created a perception among customers and stakeholders that NSA places higher value on its tradecraft than it does on outcomes for the nation. As a result, NSA has lost credibility with its stakeholders and customers and has failed to begin the

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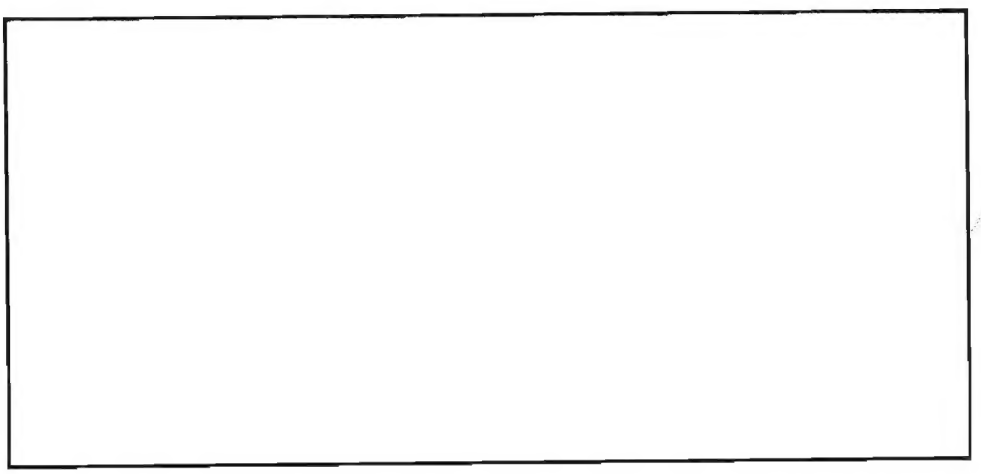
organizational transformation necessary for success in the information age.

(U//~~FOUO~~) Immediate steps must be taken to reverse this situation and leadership again holds the key. Change is a leadership function. Leaders chart a course for the future and establish the standards and discipline to get there. Major change at NSA carries some risk, but risk is the normal regime of the leader. The leadership factor will be the key to successful change. It is the leadership factor that will bring us out of our insular, sometimes arrogant culture and position us for true collaboration and teaming. It is the leadership factor that will put us at the forefront of national success against 21st Century threats and opportunities. It is the leadership factor that will make the difference between mediocrity and excellence.



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(U) What we recommend is ... a transformation that will match the bold vision and extraordinary accomplishment of those who established and nurtured NSA into a bonafide national treasure almost 50 years ago...

(U) If we display courage, leadership, and discipline there is no doubt that we can succeed. We have the raw materials-- talent, creativity, energy and enthusiasm. Indeed, the workforce has carried the NSA institution on its backs for the better part of a decade. No workforce, no matter how talented and dedicated, can lead us toward the future without a road map to show the way. Senior leadership must provide that road map and be held accountable for movement forward as a matter of urgency.

(U) The magnitude of the change we are proposing is tantamount to rebuilding an aircraft while it is in flight and loaded with passengers. What we recommend is nothing short of a transformation that will match the bold vision and extraordinary accomplishment of those who established and nurtured NSA into a bonafide national treasure almost 50 years ago: to define the next two generations of the National Security Agency. First, we need to address the challenges of technological change and how to meet them effectively and efficiently. That's NSA II. It will be a new and improved version of today's NSA, but still just the sequel. Beyond NSA II we need to design and begin building "the NSA After Next"—a fully integrated enterprise which mobilizes intellectual capital against "wicked problems" and operates and thrives in the net. We caution that this effort is a marathon, not a sprint. We believe it is our solemn duty to begin immediately. The nation deserves nothing less from us.

(U) Scope

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(U) In light of the aggressive timeline of this study and the complexity of the issues examined, this report is not an exhaustive examination of all issues facing NSA today and in the future. Our recommendations focus instead on actions that we believe must be taken as a matter of urgency for the very survival of the institution. The recommendations center on six core issues: decision-making; leadership; strategic alignment; customer, partner, stakeholder relationships; resource management; and the workforce. As our recommendations crystallized, we did identify some omissions and scope limitations that we believe should be highlighted. They are listed below.

- (U) The report does not discuss the considerable virtues of NSA that emerged from the study process. Our charge necessitated a concentration on the institution's shortcomings. This is a limitation imposed by the study itself, and should not be viewed as willful disregard for NSA's positive attributes.
- (U) Some of our recommendations lack implementation detail. In each case we can link that lack of detail to the lack of an authoritative, corporate NSA strategy and business plan. For example, in our research relative to the NSA workforce of the future, we found that the existing NSA strategy and the recommendations of our stakeholders are completely out of synch. Our stakeholders urge immediate action to bolster the ranks of linguists and intelligence analysts, while the NSA strategy is aimed at bolstering the ranks of computer scientists and engineers. We discovered many disconnects such as this one.
- (U) The report does not address the relationship between the National Security Agency and the Central Security Service (CSS). Although we discussed and researched this issue in some detail, we quickly decided that we lacked the information we needed to address it in the report. Specifically, with the exception of historical documents, we could find no foundational documents codifying the roles and responsibilities of NSA relative to CSS, and CSS relative to NSA.
- (U) The report does not address the OPSEC mission. In addition to being the steward of the nation's SIGINT and INFOSEC capabilities, DIRNSA also bears responsibility as the OPSEC coordinator for the entirety of DoD and the Intelligence Community.
- (U) The report does not address the resource implications of our recommendations. Some of the recommendations will undoubtedly carry costs, but the study's timeline did not permit us to determine them with accuracy.

(U) Executive Summary

(U) After 60 days of study, it boils down to this: get back to basics, put NSA on a solid business footing, and do it now.

(U) We've identified six issues that demand your attention:

- (U) Our decision-making process is ineffective.
- (U) We lack effective leadership.
- (U) We are not aligned to a corporate strategy.
- (U) We focus more on our own "tradecraft" than on our customers, partners, and stakeholders.
- (U) Our resource management is out of control.
- (U) Our workforce is not prepared for the future.

(U) Near-term (30 days): Tackle leadership and decision-making

(U) To tackle the issues, you must start at the top, with leadership and governance. First, fix the SALT—it's ineffective. Streamline it into a powerful executive leadership team (ELT) with fewer members, tighter procedures, and a mission focus. Hire a financial management officer (FMO) with the business savvy to put our house in order and give him or her the

(U) To tackle the issues, you must start at the top, with leadership and governance.

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First, fix the SALT— it's ineffective.

authority to manage our finances. And provide the ELT with a clear understanding of the rules of the road—a well-defined governance process. The DDCM should define the process; it will be up to you to enforce it. You must also immediately establish standards against which the executive leadership team, and indeed all Agency leaders, will be judged. These are the basic tools—you must have them in your tool-kit before you can do anything else.

(U) Now the real work begins. You and your new ELT must develop a strategic plan and a business plan. The plans must begin and end with the customer—not our "tradecraft"—and they must be clear enough and specific enough to chart our course. Please do not delegate this to a staff; we strongly believe it's a leadership responsibility.

(U) Mid-term (6 months): Align ourselves to the corporate strategy; move toward NSA II

(U) As soon as the plans are completed, you and the ELT must ruthlessly and relentlessly drive their implementation at all levels of the Agency. Again, this is your job. It's up to leadership to develop the framework for change—and to be the agents of change. In fact, given the sweeping changes that lie ahead, we recommend you make change itself a strategic goal.

(U) Specific mid-term tasks:

(U) It's up to leadership to develop the framework for change—and to be the agents of change.

- (U) Align the budget and workforce with the corporate strategy. You must get systems development under control, stop duplicative efforts, and ensure that the entire workforce is marching to the beat of the business plan.
- (U) Implement a corporate strategy for dealing with customers, partners and stakeholders. You must ensure that we speak to our external constituents with a single voice.
- (U) Create a leadership pipeline. You must set up programs to identify and groom tomorrow's leaders—so we'll never again be in a position where we lack the leadership to implement change.
- (U) Begin the transformation to NSA II, our term for the next-generation NSA. Although this a long-term effort, we believe you must start right away by creating a program management organization with the authority and responsibility for all SIGINT modernization efforts.

(U) None of this will be possible without the workforce; therefore, we urge you to take immediate steps to ensure you have the necessary skill mix— and the flexibility to modify it as needed. Accomplishing this will require a major overhaul of the current HR system, to include aligning our hiring with the corporate strategy, reforming our pay system, and increasing our use of outside expertise. It's a long-term task, but it must begin soon. Key to success will be expanding the definition of stakeholder to include the workforce as a full-fledged member—make your workforce a full partner in developing HR solutions.

(U) Long-term (2 years): Complete the transformation to NSA II

(U) What's left for the long-term is to complete the transformation of NSA into NSA II. Restructuring is probably inevitable, and we offer several options. But our unanimous conclusion is that restructuring the Agency is secondary to fixing the fundamental problems: lack of leadership, lack of governance, and lack of strategic alignment. Fix those, and you'll be well on your way to

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turning the Agency around and leading us into the 21st Century.

(U) On the next page is an illustration of our key recommendations in timeline format. The body and appendix contain additional recommendations.

(U) Issue 1: Decision-making:

Our decision-making process is ineffective.

> (U) "The current SALT does not have enough substantive discussions on substantive topics, and if members are there to defend their Key Components we won't get corporate decisions."

(U) Finding

(U) Decisions are an organization's heartbeat, collectively defining its commitments and charting a course that determines corporate outcomes – good or bad. While decision-making is a key responsibility of leaders, it is also an important skill for every employee. Unfortunately, NSA has no foundation to support sound decision-making. Specifically:

- (U) We lack a cohesive strategy that provides big-picture guidance. Consequently, decision-makers have difficulty making decisions that support corporate objectives. The decisions they do make tend to be narrowly focused and often end up undermining our relationships with customers, partners, and stakeholders. *(Note: the lack of a strategy will be discussed in more detail in the Strategic Alignment section.)*
- (U) Decision-makers at all levels lack clearly defined authority—we have failed as an institution to spell out who can decide what.
- (U) We have no *process* for making decisions. No procedures are in place to ensure that issues are properly framed, options and consequences are well defined, decisions are made, and intended outcomes are achieved. Final decisions are not recorded, and there are no consequences for failing to comply with a corporate decision.
- (U) Critical data required by decision-makers to *manage with the force of facts* (borrowing a phrase from Bill Gates) are often unavailable or difficult to retrieve from existing information systems. As a result, decisions on financial resources, human resources, and customer engagement are often late and/or inherently flawed.

(U) Nowhere are these problems more evident—or more costly to the corporation—than at the top. The current SALT is ineffective as a decision- making body largely for the reasons cited above.

(U) If we are to get to NSA II, we must start by creating a foundation for sound decision-making.

(U) Recommendations

(U) Restructure SALT

1. (U) Replace the current SALT structure with an Executive Leadership Team (ELT) made up of the DIRNSA, DDIR, DDO, and DDI.

(U) This would ensure that strategic decisions are driven by our core missions. The remaining members of the present SALT would provide advice and support. Use the ELT as the premier decision-making body and disband all others (notably the CIG) except for the Joint Issues Board

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(JIB), which should remain intact to handle issues requiring direct SCE participation. Key tasks of the ELT would be to continually assess NSA's business environment, monitor corporate performance and ensure that decisions are implemented. Perhaps most importantly, the ELT must provide strategic direction. We further recommend that you consider moving the DDO and DDI suites to the eighth floor with the other ELT members to increase opportunities for sharing ideas.

(U) Define authorities; create decision-making process

2. (U) Define the authorities of senior leadership; create a process for decision-making.

(U) Task the DDCM to explicitly define the authorities of the ELT and the JIB and of individual leaders at and above the Key Component level. Furthermore, task the Executive Director to define how the decision- making process will work and oversee its implementation.

Create agency-wide Management Information System

3. (U) Create an enterprise-wide management information system to enable fact-based decision-making.

(U) To accomplish this, hire an outside consultant to review and document information needs and systems requirements. As part of the effort, the consultant should review existing and proposed systems that may address these needs (personnel systems, UCIS, etc.). When the review is completed, task the NSA CIO to develop and implement an overall NSA management information systems (MIS) strategy. *(See the Customer, Partners, Stakeholders and the Resource Management sections for related MIS recommendations.)*

(U) Issue 2: Leadership:

(U) We lack effective leadership.

> "Leadership is your key issue, your main problem. You can't assume that because someone has talent, they know [how] to lead."

(U) Finding

(U) From Churchill to MacArthur, leaders are easy to recognize. They set strategic direction, drive change, make hard decisions, and motivate people. They have talent they're born with and the skills they develop. A healthy organization looks for the talent and cultivates the skills. Unfortunately, at NSA we do neither well. As a result, leadership is sorely lacking. Indeed, nearly every person we interviewed mentioned the failure of leadership as the principal cause of the Agency's decline. There are several reasons for this:

- (U) Leadership is not viewed as a core competency. Leadership qualities and behaviors are not valued or rewarded.
- (U) We have no leadership standards against which to hold our leaders accountable. They do not know what is expected of them.

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- (U) We have no means of ensuring a steady pipeline of future leaders. There is no formal mechanism for identifying potential leaders and no effective training program to groom them. We mistakenly assume that bright, talented people will automatically become good leaders.
- (U) We have no change management framework. Leaders are called upon to make the tough decisions—to be the change-makers. Yet we lack a framework for managing change.

(U) These shortcomings have put us in dire straits. At a time when we need it most—when declining resources and increased challenges call for hard decisions and follow-through on those decisions—leadership has failed on multiple fronts. It has not provided a corporate vision or strategy. It has been unable or unwilling to make the hard decisions. It has been ineffective at cultivating future leaders. And despite a decade of criticism from stakeholders, it has failed to bring about real change.

(U) Unless we do something about our leadership crisis, we will be unsuccessful in the years ahead. To usher NSA into a new era, you will need a firm foundation—the skills of leadership and decision-making. These are the tools in your tool kit.

(U) Recommendations

(U) Establish leadership standards

1. (U) Establish leadership standards and hold leaders accountable to them.

- (U) Develop a working definition of leadership that answers the question, "What do we expect of leaders and what characterizes leadership behavior?"
- (U) Define behaviors, goals, and metrics for leadership using best-in-class practices from industry.
- (U) Match reward structures to desired outcomes and behaviors. Establish significant reward structures for leaders who accept leadership responsibilities and make things happen. Based on these criteria, remove those who do not lead.

(U) Establish leadership as A core competency; Identify and develop leaders

2. (U) Establish leadership as a core competency at NSA and build corporate mechanisms to guarantee a supply of future leaders.

- (U) Rebuild leadership training programs using best-in-class industry programs as a guide. Develop defined entry and performance standards.
- (U) Identify and develop future leaders—those with ideas, values, and energy. Explicitly name them up the line and give them special assignments and hard problems.
- (U) Identify succession plans for both managerial and technical leadership; ensure a steady increase in responsibility and leadership opportunities.

(U) Mentor leaders

3. (U) Provide outside mentoring to senior leaders and hold senior leadership accountable for mentoring and coaching junior personnel.

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(U) Make "change" a strategic goal

4. (U) Identify as a strategic goal the ability to change in response to external demands. Hire a consultant from industry to shape the change management process.

(U) Issue 3: Strategic Alignment

(U) NSA is not aligned to a corporate strategy—because NSA has no corporate strategy.

> *"The reason why we can't get on with the business of the future is because we're an ad hoc organization. There's no way to drop any strategy into the institution as it exists today."*

(U) Finding

(U) Like cars out of alignment, misaligned organizations quickly develop serious problems. They are hard to steer and don't respond well to changes in direction. NSA is a misaligned organization. This finding underpins the entirety of this report and is fundamental to its message.

(U) NSA lacks the foundation necessary to achieve strategic alignment. We have no strategic plan and business plan against which to align our budget, our workforce, and our organizational structure. Without these, we will not be postured for success in the 21st Century. The certain loser in such a scenario would be our ultimate customer—the nation.

(U) Lack of Strategic and business plans

(U) The most consistent criticism cited during our research was the absence of an authoritative corporate NSA strategy and a supporting business plan. These are the basic tools for achieving strategic alignment. Previous efforts have failed because the plans focused on internal processes vice customer outcomes, the plans were never implemented across the organization and, perhaps most importantly, we delegated the effort to staff elements vice charging them to senior leadership.

(U) Budget and workforce misalignment

(U) The lack of plans has a domino effect: we cannot align our budget and workforce to a corporate strategy when none exists. We have fallen victim to the "activity trap"—we have lots of teams working on lots of problems, but with no connection to a focused strategy.

(U) Organizational misalignment

(U) Likewise, our organizational structure suffers from our lack of a strategic and business plan. We identified a number of issues:

- (U) Corporate support (e.g., protocol, space) and governance (e.g., policy) activities are replicated in each Key Component, with little if any relationship to one another.
- (U) There is considerable duplication of technical and operational activities across NSA.

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- (U) The bridge between Operations (DO) and our Technical (DT) Directorates is broken. As a result, neither current operations nor investment activities are fully aligned against mission needs.
- (U) The NSA SIGINT Directorate is not organized to maximize the efficiency of its core processes. Realignment is essential to the success of NSA II.

(U) Recommendations

(U) To fix our alignment problems, we must address the lack of plans, the resulting misalignment of the budget and workforce, and our organizational structure.

(U) Create a strategic and business plan

1. (U) Task the Executive Leadership Team (ELT) to create and implement a strategic and business plan that are focused on customer outcomes and stakeholder expectations.

(U) First, create the plans. Relieve the ELT from line responsibilities and devote them full-time to completing these plans. As a necessary first step, task them to identify NSA customers by market segment and to engage customers and stakeholders in ascertaining NSA's unique value. Use this as a tool to drive the entire planning process. Hire an industry expert in business planning to mentor and coach the ELT through the creation and implementation of the plans.

(U) Then charge the ELT with implementing and communicating the plans internally and externally. Hire a marketing expert to help with the communications strategy. As part of the implementation, have the ELT lead the development of hierarchical subordinate plans and then direct a scrub of all activities in subordinate organizations (an organizational "census"). Stop all efforts that do not line up with the plans.

(U) Link resource allocation to the plans

2. (U) Directly link resource allocation to the strategic objectives in the plans.

(U) Task the Financial Management Officer (FMO) *(see Resource Management section)* to re-examine the budget (the CCP, the DCP, and the ISSP) to ensure that it is aligned with business plan priorities. Where it is not, have the FMO implement needed changes. The FMO should also establish metrics for linking spending and investment to the business plan.

(U) Align our workforce to the plans

3. (U) Ensure that the performance appraisal system requires alignment between work performed and the strategic and business plans. From yourself down, have each NSA manager establish position descriptions for all subordinate personnel—the subordinates should not draft any input. The position descriptions must link work performed with the goals and objectives of the strategic and business plans. Task DDS to incorporate these position descriptions into the performance appraisal process such that they serve as the basis for all appraisals. (See Leadership section for linkage between these actions and the rewards system.)

4. (U) Create and implement a workforce development strategy that is aligned with the strategic and business plans. As a necessary first step, task the ELT to identify and codify NSA core competencies. The development strategy should then balance the development, retention and growth of NSA core competencies with the use of outside expertise. *(See Workforce section for related recommendations*

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on developing core skills.)

(U) Realign NSA's Structure

5. (U) Realign NSA to maximize the efficiency and effectiveness of the core SIGINT and INFOSEC missions. Examine organizational constructs for NSA II.

a. (U) Consolidate corporate service and governance activities and do not allow them to be "regrown" in the individual Key Components. Develop plans to centrally manage corporate service activities (space, protocol, etc.) and also corporate governance activities (policy, legislative liaison, etc.). The plans must delineate clear lines of authority and responsibility. Task the DDCM and DDS to do the former plan and the DDCM to do the latter.

b. (U) Consolidate overlapping operational functions. Task DDO and DDT with a fundamental functional review of their organizations against the strategic and business plans to identify areas of overlap, as well as areas where complementary activities could benefit from closer association. Special attention should be paid to functions that are essential to NSA II. This recommendation is limited to SIGINT operations only.

c. (U) Create a single, corporate customer service entity to ensure that customer needs are driving product and service delivery. *(This recommendation is discussed in Customers, Partners, and Stakeholders.)*

d. (U) Create a single organization for SIGINT modernization. *(This recommendation is discussed in Resource Management.)*

e. (U) In the longer term, examine structural options to posture NSA II for success in the global network.

- (U) Structure the SIGINT Operations Directorate to maximize the effectiveness and efficiency of its core processes.
- (U//FOUO) Integrate SIGINT and INFOSEC elements to maximize NSA vulnerability analysis capability.
- (U) Develop an organizational construct that will allow NSA to seamlessly integrate its operations with those of the larger Defense and Intelligence Communities.

(U) Other Recommendations

4. (U) Once the strategic and business plans are complete, follow through on the announced commitment to assign Chief N6 as the Corporate Communications Officer, full-time.

5. (U) Define and develop the vision and strategy of NSA's integrated role in support to Information Operations.

(U) Issue 4: Customers, Partners, and Stakeholders

(U) We focus more on our own tradecraft than on our customers, partners, and stakeholders.

"NSA is important, but that importance has blinded NSA in looking

outside itself. All that matters is NSA and you've lost the ability to look at yourselves in the larger context...."

(U) Finding

(U) Corporate America knows the keys to success:

- (U) Start with customers and shape your business around them.
- (U) Build win-win partnerships to fill your gaps.
- (U) And nurture your relationships with stakeholders—their confidence and loyalty are critical.

(U) These are lessons NSA has not learned. In fact, we've got it backwards. We start with our internal tradecraft, believing that customers will ultimately benefit. We try to control relationships with partners rather than creating win-win situations. And we treat stakeholders with suspicion, as if they're adversaries.

(U) Our insularity came through loud and clear in our interviews:

(U) We've got it backwards. We start with our internal tradecraft, believing that customers will ultimately benefit.

- (U) "[You] care more about technology than about the customer..."
- (U) "You want to control rather than lead and you want to do it all [rather than work with partners]."
- (U) "I sometimes think you give us the party line rather than the real scoop on how you spend your money. And you don't want guidance from the community."

(U) This attitude must not be tolerated. We must recognize that our customers, partners, and stakeholders are key to our future success – without them we will not prosper. We must put customers at the front of the train rather than the back, and we must create a corporate strategy to manage each of our external relationships and to ensure that we speak with a single voice.

(U) Recommendations

(U) Develop a customer strategy

1. (U) First, task the DDI and DDO to develop a corporate strategy for managing customer relations.

(U) Ensure that the strategy is linked to the NSA strategic and business plans and that it focuses on satisfying our customers' needs. To implement:

- (U) Assign a customer portfolio to DI and DO senior leaders and make them accountable to those customers. Model this after the ISSO Senior Executive Account Manager (SEAM) program.
- (U) Hire an outside marketing consultant to develop customer profiles and help package NSA products and services.
- (U) Create a virtual or real organization across DO and DI to ensure that we speak with one voice.
- (U) Adopt a commercially available tool to manage relationships with customers (see appendix for more details on the tool).

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(U) Develop a partnership strategy

2. (U) Then develop a corporate strategy for managing partnerships.

(U) Task the ELT, the DDT, and the DDCM to identify existing and potential partners, to create a strategy for managing all partnerships, and to develop metrics for determining the health and effectiveness of the partnerships. Assign each ELT member responsibility for specific partnerships as appropriate.

(U) Develop a stakeholder strategy

3. (U) Finally, task the DDCM to develop a corporate strategy for managing stakeholder relationships.

(U) Ensure that the strategy provides mechanisms for communicating to stakeholders clearly and openly how well we're satisfying customer needs, whether we're using our resources efficiently and effectively, how well we're meeting stakeholder expectations, and to what degree we're providing unique value to the nation's interests

(U) Issue 5: Resource Management

(U) Resource management is out of control. We cannot account for how we use our resources.

> *"... in industry, you plan then finance. In government, you finance, then plan."*

(U) Findings

(U) In today's world of declining budgets, we must be willing to make the hard choices. Unfortunately, we lack the skills, tools, and culture to do so: we do not have the business expertise to implement sound resource management practices, and we do not have an infrastructure capable of providing resource data to support decision-making. While several initiatives (ABC, MATRIX, UFAC, and UCIS) are steps in the right direction, we have no overarching strategy for resource management. In short, our resource management process is broken. As evidence of this, we heard the following concerns in interview after interview:

(U) We do not have the business expertise to implement sound management practices...

- (U) We cannot readily answer Congress's questions about how much things cost. The CBJB fails to provide a clear picture of how we are spending our money. We do not have ready access to accurate resource data.
- (U) Systems development is out of control. Duplicative efforts flourish because we have no single point of control for reviewing development efforts across organizations. Moreover, many efforts are homegrown and do not respond to stated requirements that are in line with corporate objectives. And finally, the requirements process between DO and DT is not working.

(U) We must solve these problems. Now more than ever, our success depends on our ability to manage resources smartly and efficiently.

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(U) Recommendations

(U) If we are to succeed, we must first articulate a business plan *(see Strategic Alignment)* and then put into place a resource management strategy to support it. We must clearly state how we are spending our dollars and manpower and for what purpose. We must ensure that mission drives the budget rather than vice versa and that cuts to mission be considered *only as a last option*. We believe the following recommendations will help us achieve alignment with our strategy, instill sound business practices, and capture the money our stakeholders claim will be there.

(U) Fix resource management

1. (U) First, we must fix resource management. Specifically, we recommend that you:

- (U) Hire an experienced financial management officer *from industry* to develop and implement a resource management strategy and to reinforce business standards and practices. We need a senior executive with the business savvy and financial management experience to put us on a firm corporate footing.
- (U) Review the UCIS effort with a goal of developing a financial management information system that will allow the FMO to manage with the force of facts. *(See Decision-making for related recommendation on an overall MIS strategy.)*
- (U) Retool the IBES and CBJB to make them understandable to our constituents – task the FMO to tackle this problem head-on. Our interviews were replete with complaints that our budget documents are incomprehensible. We must demonstrate to stakeholders that the "NSA story" is based on customer outcomes and is supported by accurate and defensible data. We must use these documents to show that *change* is underway at NSA.

(U) Get systems development under control

2. (U) Next, get systems development under control and restore financial and management discipline.

(U) We must make development efforts consistent with the strategic plan, deconflict duplicate efforts, and bring developers and users together to ensure that the "right" solutions are developed. Specifically:

- (U) Direct DDCM to develop a process to link mission needs to system developments and approve individual efforts; tie release of dollars to approval. The goal is to centralize the approval process to ensure that new efforts are aligned with the strategic plan and to prevent duplication of effort.
- (U) Direct DDO and DDT to get together and fix the requirements process for their systems development. Hold DDO accountable for clearly articulating functional requirements and hold DDT accountable for building systems that meet those requirements. Task them to establish a joint planning process and to form cross-organizational teams of both users and developers to oversee each development effort.
- (U) Define roles, responsibilities and authorities of the DO and DT for systems development. Consolidate systems development in the DT.

(U) Form modernization organization

3. (U) Finally, get the modernization program on track—form a relatively small but powerful PMO for modernization.

(U) The PMO, which would be jointly manned by DO and DT personnel, would define requirements, control *all* modernization and development funds (to include "upgrades"), have system engineering responsibility (access through dissemination), and have the authority to task any NSA organization directly. Identify the effort as a strategic imperative with the appropriate NSA priority, funding, and *elite staffing*. The resulting organization must have the concentrated authority of a classical PMO but operate with the speed and flexibility needed to remain abreast of rapidly advancing technology.

(U) Other Recommendations

4. (U) Create a contingency reserve fund that will allow NSA to respond quickly to crises or operational opportunities. Use of this fund would be at your discretion but would be restricted to unforeseen funding needs; it could not be used to correct programmatic oversights or cost overruns.

5. (U) Consider implementing a working capital fund. Here's how it would work: activities not financed through appropriations could bill other parts of NSA or other government agencies for the services they provide. The income would go into the working capital fund to pay operating expenses for the activities. Unlike appropriated funds that revert to the Treasury if not spent, the working capital fund stays in place indefinitely – meaning that surpluses can be used to "build the business." Such a set-up allows the directorates to "buy" the services necessary for their operations and "invest" their savings as they see fit. This encourages the service provider to deliver an improved service and to strive for efficiency. It also saves money for mission requirements.

6. (U) Work with industrial partners to address Congressional and industry concerns on NSA's use of contractors.

(U) Issue 6: Workforce

(U) Our workforce is not prepared for the future.

> *"The pointy end of the spear is the analyst. The rest of the organization needs to rally to that idea. The support tail shouldn't wag the mission dog."*

(U) Finding

(U) NSA's efforts to shape the workforce over the past 10 years have been driven more by the need to reduce it's overall size than the critical need to balance and nurture skillsets we must have to succeed in the years ahead. As a consequence, our workforce suffers serious shortages in essential skills; training opportunities continue to diminish; authorized hiring continues at a trickle even while significant retirements are forecast over the next 5 to 10 years; and employee pay consumes ever larger portions of the NSA budget, crowding out monies needed for investment and modernization.

(U) NSA's success in providing and protecting information in a world of ever challenging global telecommunications will fundamentally depend on its ability to field a talented workforce whose skills keep pace with technology trends. Competition between NSA and the commercial sector for

these skills will be especially keen and NSA must aggressively explore all options for creating and sustaining the workforce it must have to succeed in the 21st century.

(U) Recommendations

(U) Revise pay system

1. (U) Revise our pay system to attract and retain needed skills.

- (U) Implement the Mercer Study recommendations to:
- (U) Create a compensation system aligned with NSA's corporate strategy and business plan.
- (U) Change the base pay system to one that is market-based.
- (U) Use variable pay to recognize and reward achievement.
- (U) In the interim, change the grade and promotion criteria for management positions by tying them to the position.
- (U) Institute a series of tactical solutions to recurring pay and skill mix problems:
- (U) Stop fair-sharing billet cuts.
- (U) Task the Corporate Communications Officer to educate the workforce about our salary deficit problems.
- (U) Charge Key Component Chiefs to hold managers accountable for using P3 performance assessment to identify low performers.

(U) Develop workforce skills

2. (U) Develop skills in our present workforce to meet current and future mission needs. Expand the "cryptologic reserve" of retirees to augment the workforce during crises.

- (U) Ensure that the after-hours training program remains intact. Task Key Component Chiefs to submit to the DDCM annual mission-driven requirements for the program, and task the DDCM to "fence" the funds needed to support it.
- (U) Ensure that knowledge is transferred from senior to junior personnel. Task the Key Component Chiefs to assign senior technical personnel to mentor junior members of the workforce and enforce it.
- (U) Merge the professionalization and technical track programs to decrease bureaucracy and focus on skill development.
- (U) Expand the civilian cryptologic reserve made up of retirees willing to come back for a limited time during crises. Task the DDS to undertake this effort.

(U) Other Recommendations

3. (U) Limit NCS training to core cryptologic skills. Use external sources for all other training.

4. (U) Align the hiring program with future skill needs based on current and future needs. Match hiring to the requirements articulated in the business plan.

5. (U) Increase collaboration opportunities internal and external to NSA: Task the Key Component Chiefs to take advantage of existing personnel exchange programs with industry, government, and academia. Task the CIO to provide access to a knowledge-sharing tool and to the Internet to facilitate cross-organizational and external collaboration.

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(U) Six Quick Hits to Show We're Serious

(U) We have recommended that you undertake a number of initiatives aimed at fixing the basics of the NSA institution. There are also a number of practices and processes that should be stopped immediately. Our selection of the items below is based on focusing our resources in alignment with NSA's corporate strategy and

business plan by stopping, for the short term, activities that drain energy, labor and dollars from serving our core missions until that alignment can be accomplished.

1. (U) Abolish all senior personnel boards and make senior promotions and job placement the job of the senior leadership team. You currently have approximately 45 seniors and a number of dedicated support personnel tied up for significant periods of time in senior personnel activities. You have no strategy or plan for senior personnel development and succession planning. Develop the plan and make implementation the job of senior leadership. Allow only one senior personnel board to be formed. Do not allow the subordinate boards to be "regrown".

2. (U) Scrub completely the list of "senior positions" and stop selecting people to fill them based only on rank. If the position is needed, then we should be most concerned about putting the right person in the job, vice putting a senior in a job because of tradition. Put the best qualified person in these jobs, even if they are "junior".

3. (U) Abolish Agency-level promotion boards and return promotion authority to the Key Component level. The existing promotion process consumes almost all the time of approximately 30 people (seniors and our highest potential 15's, and dedicated support personnel). The "value-added" of this expenditure of time is questionable, at best.

4. (U) Within one week each Key Component should be directed to eliminate all working groups and committees where a single individual could make decisions, and also eliminate those that are not critical to performing the SIGINT and INFOSEC missions. NSA has too many working groups and committees. Senior leaders (not committees) need to make the hard decisions that need to be made. The workforce needs to apply their talents to the core mission, and not spend time commuting to and attending meetings.

5. (U) Stop the ongoing review of the NSA leadership curriculum until the leadership competencies we require in our institution are defined and aligned with NSA's corporate strategy and business plan. NSA has never embraced leadership and management as core competencies—they are not designated NSA career fields, nor is even minimum training required to occupy leadership or management positions. While we applaud the desire to review the curriculum, we argue that NSA does not have the skills or background necessary for success. Moreover, NSA does not need to develop its own curriculum. We recommend that NSA examine the courses available in private industry and in the government, and adopt/adapt their use rather than developing all homegrown management and leadership training.

6. (U) Stop initiation of any new programs or initiatives (other than organizational consolidations related to support or corporate governance processes) until business planning is complete, and budget and labor appropriately aligned to support it.

(U) Corporate governance is the process by which an organization governs itself. An effective governance process features a clearly defined set of authorities and a well- understood process for making decisions.

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(U) We spent considerable time discussing the merits of a fundamental restructuring of NSA. We concluded that while such a restructuring will eventually be necessary, it is secondary to solving the root causes of our problems—lack of decision-making [governance], lack of leadership, and lack of strategic alignment. We recommend several short-term organizational changes that we believe are essential to preparing for the transformation to NSA II, and we offer several options to consider as you plan for NSA II. See the appendix for a list of organizing principles.

Appendices

Appendix A - (U) Organizing Principles
Appendix B - (U) Detailed Recommendations
Appendix C - (U) Process Matrix
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Appendix E - (U) Methodology
Appendix F - (U) NETeam Standard Interview Questions
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(U) Acknowledgments

(U) First and foremost we extend our warmest thanks to the hundreds of cryptologic professionals who steered our efforts through e-mail, interviews, and dozens of high-quality studies produced over the past decade. We are equally indebted to the Defense and Intelligence Community senior leadership, to our congressional stakeholders, and to the NSA senior leadership for the time they devoted to our efforts in the form of personal interviews. Their perspectives, dedication, passion, and candor were both sobering and uplifting. Their contributions shaped our thinking and our report. We hope we have done them justice.

(U) A special note of thanks goes to:

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(U) Our mentors, Bob Rich and Jack Devine. Your wisdom and patience as we struggled with our task were an inspiration to us all. Thank you for keeping us focused on the task at hand.

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APPENDIX A: Organizing Principles

The merits of a fundamental restructuring of NSA were the subject of considerable NETeam research and discussion. While the results of our work suggest that such a restructuring eventually will be necessary, the NETeam believes that the issue of structure is secondary to our fundamental problems: lack of governance, lack of leadership, and lack of strategic alignment. Indeed we believe that as these root causes are eradicated, the appropriate organizational construct will emerge naturally from what is put in place. We unanimously believe that much work and careful study needs to precede any radical structural changes to the institution. We strongly urge that we enter this examination prepared to accept and recognize if and when the culture is too strong to allow for the necessary transformation, and not hesitate to create a parallel organization to achieve it.

"NSA-2" is the shorthand the NETeam adopted to describe the transformation of NSA from an industrial age monopoly to an information age organization that has entered the competitive market place. What organizational changes we did recommend are those which we believe are essential to preparing for that transformation; they represent both answers to critical issues of today, and are essential to the success of the transformation. We made no recommendations aimed solely at fixing the NSA of today, as we believe the thrust of our efforts must be on building the NSA of tomorrow. We arrived at our organizational change recommendations within the context of larger discussions about the desired organizational attributes of "NSA-2". To aid in future work, we offer the totality of those organizing principles as follows:

1. NSA is a service organization. It applies its tradecraft in service of the security of the United States of America. NSA organizational behavior must reflect that of an institution that not only understands, but also is driven by the sacred trust the nation has placed in it.

2. NSA must have a dynamic structure that readily organizes itself around problems and challenges rather than having a static form into which problems and challenges are force- fit. In such a structure ownership of physical assets (resources, space, etc.) is secondary to ownership of the problem's solution. NSA receives high marks for crisis response precisely because it adopts this operating principple during crisis periods.

3. NSA must clearly identify its lines of business (mission and enabling) and decide how to structure itself to optimize those lines of business.

4. NSA must separate current operations (product and service delivery) from investment activities (building future capabilities). Investment activities must have a beginning and an end. They must have milestone reviews, and be linked to the strategic and business plans.

5. NSA must appear as a single organization to our customers, partners and stakeholders. NSA must deliver a single message to all in one voice.

6. NSA must consolidate all non-core mission corporate support services and corporate

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governance processes and not allow them to be re-grown in individual business areas.

7. NSA must minimize the number of decisions made by task force and committee. This requires that lines of authority and responsibility be clearly defined. If "NSA-2" forms a committee or task force, the committee or task force must be addressing a truly cross- functional issue and be operating in an advisory capacity to a decision-maker.

8. All NSA organizations must recognize and embrace the fact that competencies necessary to them exist in other organizations (both internal and external), and leverage those capabilities, rather than trying to build their own organic, but redundant, capabilities.

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APPENDIX B: Detailed Recommendations

Decision Making

1. Replace the current SALT structure with Executive Leadership Team (ELT).
2. Create a governance process.
3. Create a management information system.

Leadership

4. Establish leadership standards and metrics.

Strategic Alignment

5. Create and implement strategic and business plans.
6. Implement and communicate the business plan.
7. Ensure that performance appraisal system requires alignment between work performed and the strategic and business plans.
8. Consolidate all corporate service and governance activities and do not allow them to be "regrown" in the individual Key Components.
9. Consolidate overlapping operational functions.
10. Assign Chief N6 as the full-time Corporate Communications Officer.

Customers, Partners, and Stakeholders

11. Develop a corporate strategy for managing customer, partner, stakeholder relationships. Create a single corporate customer service organization.
12. Adopt a tool to track and monitor customer relationships and manage service requests.

Resource Management

13. Fix resource management; begin with hiring a FMO.
14. Get systems requirements and development processes under control.
15. Institute specific measures to ensure SIGINT system modernization.
16. Create a Reserve for Contingencies
17. Establish a Working Capital Fund
18. Examine NSA's practices and policies regarding our use of contractors.

Workforce

19. Revise our pay system.
20. Develop skills in our present workforce to meet current and future mission needs.
21. Capitalize on external expertise as a force multiplier
22. Align the hiring program with future skill needs.
23. Divest NCS of non-core cryptologic training

Decision Making 1: Replace the existing Senior Agency Leadership (SALT) structure with a lean, authoritative, *corporate decision-making body.* Designate the new body "*The Executive Leadership*

Team" to distinguish it from previous decision-making bodies.

Finding: The present SALT structure is not an effective senior decision-making body and is not aligned to underscore the primacy of NSA's core SIGINT and INFOSEC missions. As currently structured, the SALT does not allow senior leadership to focus on strategic issues. Instead, senior leadership spends most of its time managing day-to-day operations in their individual business units. Senior leadership focus must be shifted to: continually assessing NSA's business environment; engaging key customers, stakeholders, and partners; monitoring corporate performance; and providing strategic direction and redirection for the corporation.

Recommendations:

1. Replace the current SALT structure with the Executive Leadership Team (ELT).

- Appoint DIRNSA, D/DIR, DDO, and DDI as full members.

- Designate DDT, DDS, DDCM, DCH/CSS, GC, FMO, and CIO as advisors.

- Designate DDT, DDS, DDCM as assistant Directors for Technology and Systems (ADT), Support Services (ADS), and Corporate Management (ADCM).

- Designate the Executive Director as the NSA corporate issues manager; he or she is to ensure that issues are properly framed for the ELT, set agendas, and record and monitor implementation of all ELT decisions.

- Use Joint Issues Board (JIB) to ensure full participation of our Service Cryptologic partners in NSA strategic issues.

- Mandate that the ELT spend the majority of its time on NSA corporate and strategic issues. Delegate management of day-to-day operations to subordinates.

- Appoint a senior technical director to provide unbiased technical advice to the ELT.

- Task the NSA Advisory Board (NSAAB) to provide regular structure support to the ELT on technical issue, business practices, and customer, stakeholder and partner relationships.

2. Take the following tactical actions to increase ELT effectiveness:

- Physically detach the DDO and DDI from their line organizations. Assign each full-time responsibility for strategic issues management.

- Hire senior professionals from industry, academia and the media with specific business expertise to fill functional positions (such as the FMO) who can provide the expertise to the ELT to run NSA effectively and efficiently.

- Retain outside management consultants to mentor senior NSA leaders in the development of leadership skills and tools necessary to steer organizations in times of great change.

- Solicit stakeholder approval for a one-time extension of DIRNSA tenure to four or five years. Stakeholders would review DIRNSA performance at the end of three years, and approve or

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disapprove the extension based on performance. The key metric would be the scope and effectiveness of fundamental change at NSA.

Accountable Authority: DIRNSA
Timeline: 30 days

Decision Making 2: Create and codify a corporate governance process, and hold people accountable for adhering to it. Explicitly define authorities, roles and responsibilities.

Finding: NSA lacks a clearly understood governance process. Many can veto a decision or initiative, but it is not clear who can approve either. At the most senior level, our multiple decision-making bodies (SALT, SALT-plus, CIG, CMRG, ECMRG, etc.) result in confusion and paralysis. At the same time, NSA has only one document that defines organizational roles and responsibilities at all levels of the institution-the NSA Organizational Manual. That document is a collection of missions and functions statements written by individual organizations. Even a quick read of the document betrays confused lines of authority between and among organizations. There is no documentation that clearly describes authorities of the Central Security Service (CSS) and its roles and responsibilities relative to NSA and vice versa. The lack of a governance process results in duplication of effort, organizational confusion and cynicism, and has contributed to a culture of "shared helplessness" which prevents progress.

Recommendations:

1. Task ADCM to define the NSA governance process.

- Adopt industry's Table of Authorities (TOA) tool to accomplish (a TOA is a one-page description of authorities - See attached example).

- Hire an outside consultant to guide the effort.

- Delegate decision-making authority, as a general rule, to the lowest level possible.

2. Make the ELT and the JIB the premier corporate decision-making bodies; define authorities.

- Ruthlessly scrub the list of other corporate decision-making bodies; strive to defer all corporate decisions to the ELT and JIB; if other bodies continue to exist, they must be essential to effective governance; define authorities.

- Immediately abolish all corporate decision-making bodies that are not essential to effective governance (CIG, CMRG, HRRG, etc.).

- Do not allow corporate decision-making bodies to be "re-grown".

3. Propagate the governance process throughout NSA.

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- Task ADCM to define the authorities of each of the deputy and assistant directors.

- Task ADCM to lead a complete rewrite of the NSA Organizational Manual; desired outcome is a clear, concise, non-bureaucratic definition of NSA organizational roles and responsibilities.

4. Designate the Executive Director as the implementation authority for the NSA corporate governance process.

- E/DIR to establish, document, and implement the ELT decision-making process; the process should be built around structured argumentation which creates a decision audit trail that can become a historical record.

- This is the principal responsibility of the E/DIR.

5. Task Deputy Chief CSS to define and codify the NSA, CSS, and SCE relationship in terms of specific roles and responsibilities.

- SCEs must be full partners in this effort.

Accountable Authority: DIRNSA, ADCM, DCH/CSS as specified
Timeline: Initiate in 30 days; complete in 90 days

NSA Table of Authorities (notional)

Role	Authority/Responsibilities
DIRNSA	The senior NSA leader. Ultimately responsible for NSA/CSS perfor mance.
DDIR	Senior NSA civilian leader. Delegated authority as defined by DIRNSA. ELT member.
DDI	Responsible for performance of NSA's INFOSEC mission. ELT mem ber.
DDO	Responsible for performance of UCS SIGINT mission. ELT member.
DCH/CSS	Delegated authority by DIRNSA for advocacy of SCE's. Advises ELT.
DDT	Responsible for provision of research, technology, and systems to sup port NSA strategy and business plan. Advises ELT.
DDS	Responsible for provision of support services and NSA human resource strategy required to support NSA strategy and business plan. Advises ELT.
DDCM	Responsible for establishing system of corporate governance and provi sion of corporate management services required to support NSA strategy and business plan. Advises ELT.
Executive Director (EXEC/DIR)	Responsible for NSA corporate issue management - for all issues requir ing the attention/decision of the ELT.
Chief Information Officer (CIO)	Responsible for establishing and enforcing architecture, performance, and security standards for NSA information systems. Advises ELT.
General Counsel (GC)	Provides advice, counsel and compliance oversight on legal matters. Advises ELT.
Financial Management Officer (FMO)	Oversees financial policy development and all financial management activities (operations and personnel.) Advises ELT.
Executive Leadership Team (ELT)	Principals: DIR, DDIR, DDO, DDI; (Advisors: DDT, DDS, DDCM, CIO, GC, FMO, DCH/CSS) The Senior NSA decision making body. Responsible for NSA strategy, business plan(s), customer and stake holder engagement.
Joint Issues Board (JIB)	ELT plus SCE commanders and D/Chief CSS. Body convened at DIRNSA discretion to review, assess, and/or decide issues requiring material involvement of SCE's.

Decision Making 3: Create an enterprise-wide management information system to enable fact-based decision-making.

Finding: NSA doesn't know what it knows or what it needs to know. Information essential to effective enterprise management is not available to decision-makers in a standard way, when and where they need it. Individual pieces of information are available in independent databases across Key Components, but cannot be easily merged at the corporate level. When such a merger does occur, its results are generally incomplete and cannot be easily replicated. As a result, our decisions are often flawed, and we are unable to answer basic questions about our business. For example,

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NSA is unable to state with certainty at any given time what commitments (requirements) it has taken on and how its resources are apportioned against those commitments. This has resulted in harsh and justified criticism from our stakeholders. Existing NSA efforts to develop such a capability are either not integrated or under-funded.

Recommendations:

1. Hire an outside consultant to lead the identification of corporate information needs essential to sound, fact-based decision-making.

- Document requirements for data to support all enterprise management activities, to include customer relationship management, engineering and systems development, support services, financial management, human resources management.

- Review all ongoing NSA information management systems development activities (PLUS, UCIS, etc.). Make recommendation on "best of breed".

- Avoid NSA-unique solutions; consider COTS products first.

2. Task CIO to incorporate the results of the outside consultant's work into a corporate strategy for information management.

- Aggressively implement the strategy; make funding the information management system a top corporate priority.

Accountable Authority: DIRNSA, CIO, as specified

Timeline: Begin in 60 days; continuous implementation

Please note: This recommendation is linked to the Customer, Partner, and Stakeholder recommendation regarding the adoption of a commercial tool to manage external relationships, and to the Resource Management recommendation to develop a corporate financial management system. The outside consultant must work closely with principals identified in each of these actions.

Leadership 4: Establish the standards, expectations, and metrics for leadership at NSA as the cornerstone of implementing change.

Finding: NSA Lacks leadership, i.e. the ability to develop strategies, make hard decisions, and bring about change. The NSA culture has never valued or developed leadership skills as a core competency. Therefore, most in the leadership cadre lack the ability to make hard calls, take personal risks, accept responsibility, and instill urgency. This is a critical failing in today's environment of constant change. The job of leadership is implementing and sustaining change. The need for change at NSA has been recognized for over a decade without sustained action. This is a failure of leadership, and was recognized as such in virtually every interview conducted by the NETeam. Unanimous feedback cites the lack of leadership as NSA's single biggest failing.

NSA has no strategy for leadership development and succession planning, despite the existence of

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five separate senior personnel boards. Key high-level vacancies remain unfilled for months. Training programs are not up to industry standards. NSA has not undertaken change as a complex process with definable stages and objectives. We have not made change a goal in itself. The failure to implement the many fine studies that preceded this one is attributable in large measure to the absence of a change management strategy. We must remedy this situation

1. Establish leadership standards and hold leaders accountable to them.

- Develop a working definition of leadership in answer to the question, "What do we expect of leaders, and what behaviors characterize leaders?"

-Demand that leaders focus on and articulate vision and strategy, teach the vision to the workforce, challenge and energize others, make hard calls, and force action.

- Define behaviors, goals, and metrics for leadership using best-in-class practices from industry.

- Match the reward system to desired outcomes. Establish significant reward structures for leaders who accept leadership responsibilities and make things happen.These structures should reward risk taking and accept near misses and failures. They should allow for reassigning, demoting or retiring seniors who do not meet the standards and replacing them with aggressive, capable GG15s or even GG-14s.

Accountable Authority: DIRNSA and ELT
Timeline: 30 days

2. Establish leadership as a core competency at NSA and identify and develop leaders through appraisal, career planning, selection and placement, and rewards.

- Rebuild leadership training programs using best-of-class industry programs as a guide.

- Stop the ongoing, internally focused NSA leadership curriculum review; hire leading consultant to structure new programs and/or use best-of-class industry programs.

- Require scenario-based leadership training as a pre-requisite for assuming leadership positions at the Alpha-plus-one level and above (similar to the Army's combat simulation program for all prospective Division Commanders).

- Develop a succession strategy for both managerial and technical leadership.

- Abolish all extant senior personnel boards and appoint one whose job it is to develop a succession strategy.

- Use the strategy to identify and develop future leaders early in their careers; single them out for special training and grooming; explicitly name them up the line, give them special assignments and hard problems to solve; ensure steady growth of responsibility and leadership.

- Lengthen standard tenures for leadership positions to at least three years, five for senior positions. The desired outcome of this action is to increase accountability and make it possible to achieve

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larger corporate objectives.

- Establish industrial internships for outstanding junior executives.

Accountable Authority: DIRNSA and ELT
Timeline: 30 days

3. Provide mentoring to senior leaders and hold senior leadership accountable for providing mentoring and coaching to junior personnel.

- Retain outside management consultants to shadow and provide mentoring and coaching to senior NSA leaders.

- Modify senior performance evaluations to include a mandatory rating for mentoring and overall rating category.

4. **Establish an overall change management program and devote resources to it. One such example is outlined below, taken from John Kotter's Leading Change:**

a. Establish a sense of urgency: examine the environment and competitive realities; identify and discuss crises, potential crises and opportunities.

b. Create a guiding coalition: a group powerful enough to lead change, but able to work well as a team. The rebuilt ELT should be part of this team, but not all of it.

c. Develop a Vision and Strategy: This is discussed extensively in this report, specifically in finding related to strategic alignment.

d. Communicate the Vision: Use every vehicle to communicate the vision and strategy constantly and at all levels.

e. Empower broad-based action: Get rid of obstacles; remove or change systems that undermine the change vision; encourage risk-taking, nontraditional ideas.

f. Generate short-term wins: Plan for visible improvements in performance; create those and visibly reward or recognize those who were responsible. Do not declare victory too soon.

g. Consolidate gains and produce more change: Use increased credibility to change all systems, structures, and policies that don't fit. Hire, promote and develop leaders who can further the effort; remove those who cannot or won't.

h. Anchor new approaches in the culture: Create better performance through customer- and productivity-oriented behavior, better leadership and management. Articulate the connections between new behaviors and success. Develop leadership development and succession.

- Hire an outside consultant to guide us through the change management process.

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- Make the ability to respond to change a strategic objective.

- Include response to change as a goal in our corporate strategy; establish metrics.

Accountable Authority: DIRNSA and ELT
Timeline: Begin within 90 days; continuous implementation

Leadership 5: Task the Executive Leadership Team (ELT) to create and implement strategic and business plans that are focused on customer outcomes and stakeholder expectations.

Finding: The most consistent criticism cited during our research was the absence of a single, detailed, end-to-end strategic plan and supporting business plan to lead NSA into the 21st Century. The development and prioritization of all other implementation plans and investment strategies across the organization must be driven by these plans. While NCS-21 has some key elements of a strategic plan, it must be refined and focused against the below criteria.

A strategic plan defines corporate vision, mission, lines of business, goals and metrics.

A business plan includes corporate goals and objectives from the strategic plan, objectives and metrics within each (operational goals and metrics, capital or process improvement goals and metrics), prioritization, resource requirements and allocations (people, dollars, infrastructure), skill mix needs, and time-frame commitments.

Recommendations:

- Focus the Executive Leadership Team (ELT) on strategic issues not operations. Immediately relieve the ELT from all line responsibilities and assign them full-time to the completion of these plans. This is not a staff function. Charge Deputies with the day-to-day operations of the line organizations. To that end, the plans must be data driven and externally focused on stakeholder and customer expectations.

- Immediately hire an industry business expert to train, mentor and coach the ELT during the creation of these plans. Develop methods to include customers, stakeholders, partners, and the workforce in the planning process.

- Immediately modify the performance plans of each member of the ELT to include the creation of these corporate planning documents (full 35% leadership category rating). Strategic and Business Planning are continuous processes that must be reviewed on an annual basis and modified in response to market conditions.

Accountable Authority: DIRNSA
Timeline: Begin within 30 days; Conduct annually to coincide with budget cycle

- Once the business plan is completed, task the FMO to fundamentally re-examine the FY2000 budget (ISSP, CCP, DCP) and out-year plans develop a plan for implementing the results of the budget scrub. This must be done in parallel with the development of subordinate horizontal and

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vertical business plans.

Accountable Authority: Financial Management Officer (FMO)
Timeline: Begin within 45 days; Complete in 90 days

- Hold the ELT responsible and accountable for executing the budget plan and implementing the strategic and business plans.

Accountable Authority: DIRNSA
Timeline: Begin within 30 days; A continuous activity

Strategic Alignment 6: Implement and communicate the business plan both internally and externally.

Finding: A key criticism levied by our stakeholders, particularly by the NSA workforce, is that even when strategic plans are completed, they are not implemented or communicated effectively and therefore do not drive the efforts of the entire corporation.

The plan quickly becomes "shelf ware" rather than the aligning force for the organization. For our planning process to be successful, our customers, stakeholders and partners must "see themselves" in our plans. This is a senior leadership function.

Recommendations:

- Charge the ELT with responsibility for implementing and communicating the business plan throughout NSA and to our customers, stakeholders, and partners. Do not delegate to staff elements.

- Retain the industry business expert hired to facilitate the completion of the Strategic and Business Plans for coaching, training and mentoring help during this phase.

- Task the ELT to identify and lead the development and review of a set of hierarchical subordinate strategic and business plans. The plans must be vertically and horizontally integrated and link to specific goals and objectives in the NSA strategic and business plans. Like the NSA corporate-level plans, these plans must be externally vice internally focused, based on customer and stakeholder expectations vice internal NSA process, and data-driven vice based on internal assumptions.

- Once the hierarchical plans have been completed, charge the ELT to direct an immediate scrub of all activities in subordinate organizations (an organizational "census"). Stop all efforts that do not line up with the plans, both in terms of corporate goals and priorities. Refocus these activities in accordance with corporate priorities and eliminate duplicative efforts across NSA.

- Hire a marketing consultant to help the ELT formulate a marketing strategy for the plans. Retain the consultant for at least one year to develop and implement this effort.

Accountable Authority: ELT

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Timeline: Begin within 45 days; A continuous activity

Stragetic Alignment 7: Ensure that the performance appraisal system requires alignment between work performed and the strategic and business plans.

Findings: The roles and responsibilities for managers and employees at all levels are ill-defined, are often diffused across multiple persons, seldom cross organizational boundaries, and often fail to tie individual contributions to corporate objectives. P3 objectives are usually established by the employee based on what he or she feels can be accomplished within the prescribed time period, and then approved/modified by the Supervisor. In the absence of the NSA strategic plan, business plan, and Key Component implementation plans, these objectives cannot be aligned with corporate goals.

Recommendations:

It is essential to the success of this recommendation that the NSA Strategic Plan, Business Plan, Key Component implementation plans and Organizational Mission and Function Statements be established first.

- Starting with the Director of NSA and working downward, establish formal position descriptions aligned with the organizational mission and functions statements. Utilize these descriptions as the basis for the performance appraisal (P3) for each position in the Agency. Position descriptions/performance plans should outline the following:

- Employee role within the organization vis-à-vis core missions.

- Communication expectations (internal and external to NSA).

- Competencies and behavior expectations (coaching, teamwork, information sharing, decision-making, etc. Senior P3's should include Strategic planning, mentoring, and workforce communications).

- Authorities and delegations of those authorities: who answers to whom (not simply "chain of command", but also with responsibility for core missions/functions and key customers).

- Base individual performance plans on the position description and outline key objectives for a given rating period. The responsibility for writing job descriptions and performance plans lies with the supervisor and *the focus is on what the employee will deliver in support of the strategic plan, business plan and subordinate hierarchical implementation plans.*

- Tie compensation to an individual's achievement of goals and objectives described in the strategic plan, business plan and subordinate hierarchical implementation plans. (See Workforce Recommendation 1.)

Accountable Authority: DDS, Director of HR
Timeline: Within 30 days after Strategic Plan, Business Plan, and Mission & Function statements are created.

Strategic Alignment 8: Consolidate all corporate service and governance activities and do not

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allow them to be "re-grown" in the Individual Key Components.

Finding: Over time, each NSA directorate has evolved into a "mini NSA" by recreating one or more corporate processes not only at the directorate level, but at successive levels below. This fragmentation of corporate support services and governance processes undermines authority and accountability for corporate processes, results in confused and uncoordinated planning actions, and has diverted scarce resources from core mission functions.

Recommendations:

- Consolidate and centrally manage corporate support service and governance processes. Do not allow them to be "regrown" in individual mission areas.

- Task the DDCM and DDS to develop and publish a plan to centrally manage all corporate service activities (protocol, space, etc.) . The plan must delineate clear lines of authority and responsibility for each corporate service

Accountable Authority: DDCM and DDS
Timeline: 30 days

- Task the DDCM to establish the framework for the centralized management of all corporate governance activities (policy, legislative affairs, etc.). The framework must delineate clear lines of authority and responsibility for each corporate service

Accountable Authority: DDCM
Timeline: 30 days

Strategic Alignment 9: Consolidate overlapping operational functions and in the long term, examine structural options to posture NSA for success in the global network.

Finding: In the absence of strategic and business plans, it is difficult, if not impossible, to define the correct organizational structure for NSA. It is however, apparent through the comments of senior interviewees, that NSA is replete with mission, investment, alignment and partnership inefficiencies, and is not focused on a single corporate vision. A diffusion of roles and responsibilities exists throughout NSA that causes unnecessary duplication of effort across multiple key components. In one interview, the respondent was very pointed: "where work (missions, roles, responsibilities, tasks, fiscal execution, etc.) is duplicated, someone needs to go out of business!"

Recommendations:

Restructuring NSA is secondary to solving the root causes of our problems (lack of strategic and business plans, lack of governance, little leadership, poor resource allocation, dissatisfied customers, stakeholders and partners, and unbalanced skills mix). As previously stated, we have no credible basis for recommending a specific organizational structure at this time because we have no starting point (i.e., the detailed Agency strategy and business plan) to guide, frame, weigh and decide the optimal structural option. We offer, however, the following wide range of options to be considered once the ELT reaches the point of discussing structure.

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Option 1 - SIGINT Efficiencies

- Consolidate and combine predominant SIGINT-related organizations with duplicative and/or similar management, operational, technical and/or functional activities and associated resources and budgets. This will bring authority, accountability, critical mass and a single integrated and focused strategy to many of these disparate and competitive efforts. Determine core-staffing requirements for each and reinvest any resource savings back into the production of SIGINT.

- Align the DO along Access, Exploitation, Production, and Dissemination processes.

Option 2 - Combined INFOSEC and SIGINT Efficiencies:

- Identify similar and/or duplicative management, operational, and/or technical activities and functions in the INFOSEC and SIGINT missions.

- Consolidate and combine these similar/duplicated activities and functions. These newly combined organizations will report directly to both the DDI and DDO and provide the critical mass of talent and resources to bear on their combined goals. Determine core-staffing requirements for each and reinvest any resource savings back into the INFOSEC and SIGINT missions.

Option 3 - Completely Restructure NSA:

- Develop and implement a complete restructuring of the Agency built upon a single operations directorate that integrates the SIGINT, INFOSEC, and support to Information Operations missions. One mission will emerge for NSA: vulnerability analysis.

- Align all activities across the Agency to support the new operations directorate. Where possible, collocate technical developers with the mission elements they support to improve our agility, our mutual understanding of mission-related system functional requirements, the development and deployment solutions, and the timely insertion of needed technology on a scale critical to our future success.

- Create a separate, robust and fully funded Advanced Technology Directorate to focus on advanced research and leading edge technologies. This ensures focus on the future and balance between readiness and modernization.

Option 4 - NSA and Community-wide Efficiencies (Long Term):

- Identify NSA activities and functions duplicated in the DoD and Intelligence Communities.

- Investigate ways to reduce duplication and increase efficiency and effectiveness of NSA's contributions to the missions of the DoD and Intelligence Communties.

Strategic Alignment 10: Once the strategy and business plans are complete, follow through on the announced commitment to assign Chief N6 as the full-time Corporate Communication

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Officer responsible for developing the strategy to define and manage a comprehensive NSA communications process.

Finding: Communications within NSA are inconsistent, sometimes haphazard, and often contribute to the deficiencies confronting the Agency. The Chief N6 was recently designated as the NSA/ CSS Corporate Communications Officer (CCO) but not relieved of any other duties. Communications is a full-time responsibility and yet NSA continues to treat it as an afterthought.

Recommendations:

- Formally assign Chief N6 as the *full-time* Corporate Communication Officer, responsible for defining and managing a comprehensive NSA communications process. An *NSA/CSS Corporate Communications Strategy* must be developed and implemented that clearly defines the corporate communications process; lays out the assumptions, beliefs, and values needed to implement the strategy; documents lines of delegated authority and responsibility to Key Component communications organizations; and provides key indicators to gauge results.

- If this recommendation is implemented, consider hiring an ex-Congressional Staff director as the new full-time NSA Chief LAO.

- Communication is also a critical means to influence culture. To address the issue of culture and the lack of focus/awareness of NSA core businesses consider the following actions:

- Broadcast NSA INFOSEC and SIGINT highlights to all personnel on a daily basis. Include information on Agency corporate issues and mission thrusts.

- Deliver daily information bulletins immediately upon log-on.

- Apprise the workforce of breaking developments and news items on a "ticker tape" running over the screen.

- Store previous bulletins for retrieval in a repository accessible via the internal Web.

- Solicit feedback.

- Assign all seniors specific responsibility for communicating with the workforce.

- Insist that all managers/leaders schedule formal and informal time for workforce interaction.

- Assign this as a performance objective and rate the leader accordingly - use calendars, meeting announcements, etc. as evidence.

- Communicate down the line that communications must be candid, and focused on the difficult issues confronting NSA. Discuss hard issues and the true reasons behind decisions openly. This will do much to restore leadership credibility, bring about cultural change, and instill a sense of urgency, responsibility and accountability.

- Actively encourage honest feedback from the workforce.

Accountable Authority: Chief N6

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Timeline: 30 days

Customers, Partners, Stakeholders 11: Develop a corporate strategy and supporting policies for customer, partner and stakeholder relationship management. Create a single corporate customer service organization, virtual or physical, to implement the strategy.

Finding: NSA does not speak with one voice to customers, partners and stakeholders. We lack a single corporate external engagement strategy. There are more that 1,000 SIGINT and INFOSEC professionals deployed with customer organizations, but our lack of strategy has limited the return on this investment. One interviewee stated: "We need more representation in some places and we have too much in others. We punish people when they go out, and we make it difficult for people to come back." Internally, we have numerous "customer" organizations, but we have failed to put our customers at the center of product and services delivery. We are viewed as caring more about our internal processes than about outcomes for our customers. We manage visits when we should be managing relationships. The same is true of our relationships with partners and stakeholders. As one stakeholder put it, "NSA relations with Congress are broken." We frustrate our stakeholders with our insularity and confuse our partners with our many voices. We must build our core processes to align with customer, partner and stakeholder requirements and measure our success by the impact we have for them. This involves much more than delivering a product or service. It is as integral to our business as is the development of new technologies to exploit adversary vulnerabilities. It requires a continuous commitment of time and energy and a complete refocusing of our business processes.

Recommendations:

Our relationships with our customers, partners, and stakeholders each require a separate strategy.

CUSTOMERS - those who use NSA products and services

1. Task DDO and DDI to immediately develop a corporate customer service strategy that directly link to the NSA strategic and business plans.

Address market share and customers, competition, political/regulatory issues, mission/ vision/values, corporate goals and classification policies.

Freeze representational assignments for NSA personnel until the strategy is complete. Take no longer than 90 days to complete.

Based on new strategy review NSA representational positions. Look critically at who and where people are assigned and reevaluate each position against customer needs and our corporate strategy.

Accountable Authorities: DDO and DDI
Timeline: 90 days

2. A previous recommendation urges the identification of NSA customers as a necessary first step in the strategic and business planning process. Once this has been accomplished, task DI and DO to identify a Senior account manager for each of NSA's major customers. Selection should take customer's mission into account.

- Model the program after the ISSO's Senior Executive Account Manager (SEAM) Program, which strives to manage customer relationships through an active engagement strategy.

- Identify a full-time Customer Advocate to assist each SEAM.

Accountable Authorities: DDO and DDI
Timeline: 90 days

3. Hire an outside marketing firm and customer service consultant to assist with the mass customization of NSA products and services for specific customer segments.

- Develop customer profiles and contact management strategies for handling customer relationships, requirements, complaints, and other services as appropriate.

- Analyze customer needs and contact processes with a view toward developing new products and services and eliminating systemic barriers to customer satisfaction.

Accountable Authorities: DDO and DDI
Timeline: 90 days

4a. OPTION I -- Create a *virtual* corporate Customer Services Organization that bridges DO and DI.

- Virtually link DO and DI customer service organizations to work collaboratively to:

- Provide one message and one voice to customers.

- Manage individual customer relationships and expectations.

- Promote the modernization and customization of SIGINT and INFOSEC products and services.

- Establish and maintain the definitive "yellow pages" of all NSA products and services.

- With the help of DT, DS, and DCM, develop criteria and metrics for the identification of customer information needs and satisfaction.

- Develop contact strategies and profiles for each customer.

- Track the satisfaction of those needs against the criteria and metrics

Accountable Authorities: DDO and DDI
Timeline: 120 days

4b. OPTION II -- Consolidate existing DO, DI and other appropriate customer service elements into a centrally managed corporate Customer Services Organization tasked to

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perform as OPTION I (4a).

Accountable Authorities: DDO and DDI
Timeline: 1 year

PARTNERS- those who contribute to NSA products and services

1. Task the ELT to develop a strategy for partner engagement.

- Partners include the military, other government agencies, industry, academia, professional standards bodies, foreign nations and international organizations (e.g., NATO). As a necessary first step, identify NSA partners.

- Develop metrics to gauge the effectiveness, health and efficiency of NSA partnerships. Review annually to examine return on investment and the need for new partnerships.

Accountable Authority: ELT with DDT, DDCM
Timeline: 90 days

STAKEHOLDERS- those who invest in NS

1. Task the ELT to develop a stakeholder engagement strategy.

-Using the list of stakeholders identified during the strategic and business planning process:

- Assign each ELT member as the accountable agent for a specific stakeholder relationship.

- Develop schedule and accountability for implementation of strategy and plan.

- Develop standard corporate performance data to be used in quarterly stakeholder/ accountable agent session.

- Develop standard corporate performance data for an annual report to each key stakeholder that includes unique value added results produced by NSA for that stakeholder.

Accountable Authority: DDCM
Timeline: 90 days

Customers, Partners, Stakeholders 12: Adopt a commercially available tool to track and monitor customer relationships and manage service requests.

Finding: NSA manages customer contact unevenly. The results of our customer survey show that customers don't complain to us when something goes wrong because they don't think it will do any good. Furthermore, we measure customer satisfaction based on our own estimates of performance with little regard for customer feedback.

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Increasingly, NSA products and services are not meeting the needs of our customers and our reputation has suffered. Actions implemented as a result of customer satisfaction surveys address only the symptoms as we perceive rather than the root cause from the perspective of our customers. We cannot measure loss of customers over time because we do not routinely survey our customer. Our customers have expressed their concerns in a number of settings to no avail. We cannot afford to alienate our customers at a time when we need their support with our stakeholders.

Recommendations:

1a. Adopt commercially available contact management tool with the following mandatory features:

- Simple to use, accessible by the web, and available to all

- Robust action-tracking and documentation capability

- Interactive to allow for customer feedback capability to coordinate all Agency activities with respect to a specific customer

- Users will be able to access the following information with the tool:

- Customer profile

- Name of NSA Customer Advocate and Senior Executive Account Manager(SEAM)

- Outstanding product/service requests

- Person responsible for satisfying each request

- Total cost associated with completing each request (people, money, time)

- Anticipated product/service requests

- Relationships between various customers

- Relationship of customer with key stakeholders

1b. Implement one of these customer relationship management tool options:

OPTION 1 Adopt the existing ISSO Customer Database tool for NSA corporate use.

OPTION 2 Purchase a commercial off-the-shelf (COTS) product and provide requisite training.

OPTION 3 Hire a commercial firm specializing in these types of systems to develop our metrics and a tool tailored to our specific requirements. This firm should also provide adequate training to the Corporate Customer Service Organization on its proper use.

OPTION 4 Hire a commercial firm specializing in these types of systems to develop a tool and process to automatically collect, store, retrieve, and analyze information about customer requirements and our successes/failures to address these needs. Data mining tools like this are often used by credit card companies and consumer stores to tailor products and services to meet the anticipated purchasing needs of their customers based on past purchases.

Accountable Authority: DDO and DDI
Timeline: 120 days

Resource Management 13: Fix resource management through a series of initiatives beginning with the hiring of a Financial Management Officer (FMO).

Finding: The processes for allocating and managing personnel and financial resources fail to address the current and future fiscal and mission problems satisfactorily. Attempts to develop a business plan addressed only fiscal and technical planning and failed to plan for personnel resources, infrastructure and support, and defined organizational responsibilities.

Customers and stakeholders repeatedly cite the lack of a Business Plan as an impediment to understanding NSA's strategy. They also assert that NSA senior executives involved in financial and business management planning do not behave corporately and lack the requisite experience, breadth, depth and understanding of how to place NSA on a solid business footing. Moreover, stakeholders argue that NSA IBES and CBJB documents are presented in a form that is incomprehensible to anyone outside of the NSA.

Recommendations:

1. Hire a Financial Management Officer with the appropriate industry credentials and with duties, responsibilities, and authorities commensurate with those normally associated with a corporate industry CFO and provide market-supportable salary compensation.

- Designate as an advisory member of the Executive Leadership Team

- Define the "Division of Effort/Lines of Authority" between the FMO and DDCM

Accountable Authority: DIRNSA
Timeline: 30-180 days

2. As part of NSA's business plan, establish a coherent and comprehensive NSA resource management strategy and implementation plan.

- Review all ongoing resource-related activities (ABC, MATRIX, UFAC, UCIS) and ensure activities are essential, supportive, and linked.

Accountable Authority: FMO
Timeline: 30-180 days

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3. Provide the infrastructure to support Resource Management.

- Consolidate and reassign all resource management activities under the FMO.

- Develop or procure a Financial Information Management System (perhaps part of Corporate Management Information System) to allow for the monitoring and control of all aspects of resource management (e.g. money, people, space, etc).

Accountable Authorities: FMO and CIO
Timeline: 30-180 days

4. Design/fix IBES and CBJB, our budget request documents, to make it understandable to our stakeholders. Ensure it is reflective of the Agency "big picture" strategic and business plans.

Accountable Authority: FMO
Timeline: 30-180 days

Resource Management 14: Get the systems requirements and development process under control through a series of initiatives aimed at eliminating duplicative activities, restoring project management and financial discipline, and bring system developers and users together to ensure that the solution addresses the user's problem and is delivered on time. (Note: Throughout this recommendation, the phrase "systems development" includes in- house development as well as contracted systems acquisition activities.)

Findings: NSA no longer applies processes necessary to ensure that all systems development programs are consistently disciplined, efficient, coherent, meet the needs of the user, and are delivered on time and within budget. No formal process links all systems development activity with the Agency's strategic and business plans and investment strategy.

The current diffusion of responsibility throughout NSA for systems developments presents the strong possibility that the outcome will be fragmented systems solutions and point solutions. Descriptions of roles, responsibilities, authorities, and accountabilities are not accepted, understood, or practiced and therefore hamper efficiency and an effective partnership between the DT and its DO customers. No single focal point is responsible for technical planning from requirements through dissemination, and the lines of authority and responsibility among development organizations are unclear. Consequently, the approach is inefficient but is also certain to produce less than optimal end-to-end solutions. All of these risks are manifested in the current C2C/DNE program and are intolerable given the challenges of today's SIGINT mission and resource situation.

NSA technical systems provide the foundation for NSA's ability to deliver on its mission. The complexity of these systems and the speed at which targets change, dictate that NSA move to modern system development processes which are timely, flexible, and ensure the product is the "right" solution to the user's problem. The DO and DT organizations must work closely together throughout the planning and systems development process to ensure accountability by the systems development organization for the system delivery on time and within budget. In fact, NSA's most successful programs have been guided by joint management/development teams and this model needs to be adopted as the standard for all future technical developments.

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Recommendations:

PROCESSES

1. **Put NSA 5000 into effect as the official Agency Systems Development policy.**

- Issue corporate guidance for compliance with the established requirements process as defined in NSA 5000 for all NSA systems development.

- Task the DDCM with "approval-to-proceed" authority for all systems development and tie the release of dollars for execution to such approval. He or she must ensure that the process:

- Ensures all development efforts support the Agency strategic and business plans and instills discipline and governance for future developments to prevent a recurrence of the present inefficiencies and duplication.

- Reflects the prioritized requirements of the mission directorates (and NSA at large).

- Identifies and deconflicts potentially duplicative programs and ensure coordination with associated activities.

- Develops an efficient and timely corporate review, prioritization, and approval process.

- Instills discipline but minimizes bureaucracy and supports the rapid, flexible developments needed to maintain parity with target technology.

- Clearly defines responsibility and authority for projects and empowers the responsible teams to manage projects and deliver products with minimal interference and maximum accountability.

- Allows Chief of the PMO for SIGINT modernization to have an influential vote.

Accountable Authority: DDCM
Timeline: 45 days

2. Direct the DDO to disestablish the extant G, Z, and E-Group systems requirements processes and create a single DO process for identifying functional requirements needed to support all SIGINT production processes (requirements through dissemination).

- Ensure significant commitment of DO operational personnel resources to the process.

3. Direct the DDO and DDT to establish a joint planning process to evolve DO's functional requirements into development programs in accordance with priorities established by the corporate business plan:

- Build a new organization focusing on all production processes.

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- Establish a team at the start of each new development composed of a DT leader and representatives of the M and/or W Group Target Offices.

- Require formal joint concurrence of appropriate DO and DT elements at major milestones during the development cycle and on the final deployment of systems or to conduct any operation (appropriate DO Production Manager will represent the DO).

Accountable Authority: DDO/DDT
Timeline: 45 days

ROLES, RESPONSIBILITIES, AUTHORITIES, AND ACCOUNTABILITIES

1. Direct the DDCM to enact into NSA policy the authorities, roles, responsibilities and accountabilities of each participant organization in the SIGINT systems development process, including the management of projects. At a minimum, this policy should include:

For the DO:

- Authority and control over the budget for systems development activities that support their lines of business.

- Specification of system functional and operability requirements, and mutually agreed-upon time frame and cost.

- Acceptance authority over systems to be installed.

- Overall performance oversight for project deliverables, quality and cost, and the responsibility of holding the systems development organization and program manager "accountable" for same.

- Responsible for establishing advanced analytic and customer development centers to team with technologists in the DT organization.

For the DT:

- Authority to execute and manage the budget for approved systems development projects.

- Authority and direction over required human resources whether or not others normally supervise them.

- Responsibility for delivery and installation of system to specifications, on time, and within budget.

- Responsibility for providing technology innovation to its customer as a means to encourage creativity.

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STRUCTURE

- Consolidate all Agency SIGINT systems development activities in DT.

Accountable Authority: DCM, ELT
Timeline: 60 days

Resource Management 15: Institute specific measures to ensure SIGINT system modernization activities are consistent with an approved Agency strategy, and that interdependent development activities (both internal to NSA and contracted efforts) support a single, end- to-end SIGINT modernization strategy and architecture.

Finding: NSA does not have a single, cohesive strategy or implementation plan for SIGINT modernization. Initiatives are fragmented and duplicative. Several ongoing interdependent activities (e.g., SMM, TRAILBLAZER, MASTERKEY, FIREPROOF, ITB, current C2C/DNE efforts) are not necessarily supportive of the same strategic vision. Responsibility for each resides in a different organization (E, Z, R, K, DGTP) and/or with a different person. The ADDT(M), T7, and T8 construct fails because it lacks the unified responsibility, authority, and resources and is separated from the production (DO) elements. Consequently, the viability and success of both current and future SIGINT efforts is at great and unacceptable risk.

The rate of progress to complete modernization planning and start implementation based on the 1997 UCA study is insufficient to keep pace with the target environment. Authority and responsibility for modernization remains diffused across DO, DT, and the UCAO (at least DGTP, E, G, K, R, T7, Z), and long-term planning is unlinked to current development activities. NSA must ensure that diffusion of responsibility does not result in a fragmented system of systems.

NSA attempted to address this issue in the early 1990's by creating Technical Director positions to perform cross-organizational coordination for all technical activities, especially modernization and systems planning functions that were consciously spread across several organizations. The Agency relied on the Technical Director community to eliminate duplication and to ensure that individual programs supported a cohesive end-to-end system. This process has essentially failed. The results are evident in instances of inefficiency, duplication, and fragmention with the most visible examples in critical future missions such as the Digital Network Exploitation arena.

While Technical Directors were created to be the first line of defense for horizontal coordination across organizations, NSA management is primarily responsible for this failure. Even when duplication was clearly identified (between K and Z for instance), management did not move aggressively to deconflict such activities. Assigning a single accountable authority for SIGINT modernization is essential to provide the top down and cross-organizational leadership needed to fix this problem.

Recommendations:

ROLES, RESPONSIBILITIES, AUTHORITIES, AND ACCOUNTABILITIES

1a. Confer the following on the DO organization, as the customer of modernization products:

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- Responsibility to define the functionality, usability, and operability requirements of any modernization activity.

- Authority for the budget dollars (through the FMO) and for release to the systems development organization.

- Authority to hold the systems development organization accountable to agreed upon delivery of specified product, on time and within budget.

- Responsibility to establish acceptance criteria for and authorize installation.

- Responsibility to jointly plan and develop an overall strategy with the systems development organization.

1b. Confer the following on the DT organization as systems development organization and as the supplier of products to the user:

- Responsibility and total authority for managing and implementing the authorized systems development program and project.

- Authority over the allocated budget and labor resources.

- Accountability for delivering the authorized products to specs, within budget, on time, as agreed upon.

- Ensure that critical end-to-end systems engineering is performed to ensure those interdependent developments form a cohesive whole.

- Define and enforce technical development, interface, and integration standards.

Structure:

OPTION I. Form a small but powerful DO/DT-PMO for modernization which implements requirements, controls all approved and authorized modernization and development funds (to include "upgrades"), has system engineering responsibility (access through dissemination), and independent tasking authority of NSA systems development work units in line organizations.

- Identify the effort as a strategic imperative with the appropriate NSA priority and funding, and elite staffing.

- Give the Chief of the PMO direct access to the Director and oversight authority for all modernization efforts within the NSA SIGINT system.

- Assign the PMW with the authority to operate with speed and flexibility to maintain parity with target technology.

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Accountable Authority: DDO/DDT
Timeline: 30 days

OPTION II: Using the "Saturn Plant" model, manage and implement the modernization program in a newly-organized and far larger organizational "spin-off" outside the current NSA structure.

Accountable Authority: DIRNSA
Timeline: 60-90 days

Resource Management 16: Create a contingency reserve that allows NSA to respond quickly to crises or operational opportunities.

Finding: The absence of a budgetary construct with sufficient flexibility to respond to unforeseen events has been a repeated limiting factor in recent NSA responses to crises. A contingency reserve is vital to our ability to fulfill our mission and allow for a rapid response to crisis situations or other operational opportunities. The reserve must not be used to correct programmatic oversights or cost overruns.

An NSA Contingency Reserve would provide the conditional capability to fund timely Agency actions in response to unforeseen and hence un-budgeted contingencies. NSA did establish a program (SPICEBOX) to provide such budgetary flexibility, but annual budget cuts have always eroded the program to a level of inefficiency.

Recommendations:

1. Create a Reserve for Contingencies, based on the model of the DCI Reserve for Contingencies, to enable NSA to respond rapidly to unforeseen requirements and unique opportunities in a prompt and secure manner.

- Solicit Congressional Oversight Staff/Stakeholders support for this strategy.

- Establish Executive Rules for use of this fund to include the following:

- Ensure that any activity for which a Reserve release is sought be endorsed by the Executive Leadership Team and approved by the Director. Issues involving potential authority conflicts will be resolved with the General Counsel before a reserve release request is submitted to the Comptroller.

- Each request for a reserve release must be sent to the Comptroller. Requests must include a description of the proposed activity, the compelling mission need supported by budget data, and the consequences of not funding.

- The Comptroller will serve as the accountable authority responsible for determining funding suitability and the DIRNSA will approve the release. The Comptroller will prepare and submit the reserve request to OMB, prepare notification letters to the Committees, and serves as the office of record for release documentation.

- The reserve funds are unavailable until OMB approves their release. The Comptroller will

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monitor the timeliness of the OMB response and when necessary, work to expedite the approval and provision of funds.

- The Comptroller will maintain records on obligations and expenditures of Reserve releases and account for such funds.

- Reserve funds are restricted to the purpose for which released. Once released, reserve funds may be obligated only until the end of that fiscal year. At that time, any unobligated balances expire, are placed in a "fenced" five-year account, and remain available only to record or adjust previously unrecorded or under-recorded obligations validly made against the Reserve release funds in the year of release.

- Establish an initial Reserve for Contingency fund of $10M.

Accountable Authority: FMO
Timeline: 6 months initial strategy ICW FY2001 BES

Resource Management 17: Determine the viability of a Working Capital Fund for NSA. If of merit, implement a pilot program within 12 months.

Finding: The Resource Allocation team finds the Working Capital Fund concept as recently deployed by the CIA/DA to be interesting enough to warrant further investigation for potential implementation at the NSA.

The working capital fund is a mechanism federal agencies use for operations not financed with appropriations. Working capital funds receive payments for services rendered to other parts of the organization, or to other government organizations. The money is used to pay for operation's expenses; but unlike appropriated funds, money in a working capital fund can stay there indefinitely so that "surpluses" could be invested in trying to market the operation's services to new customers. Working capital funds have been set up in State Department, the Defense Department, the Department of Energy and a number of other agencies.

As a first step in business process transformation, the CIA/DA recently established the Working Capital Fund for the provision of support services to the mission directorates. Support services was about 30% of the Agency's budget. With a Working Capital Fund, the DA returned support monies previously used to support the mission directorates (DO,DI,DS&T) to the directorates and allowed them to "purchase" service from the DA or an outside source. Now that the DA competes with outside commercial vendors the directorate is encouraged to provide better quality service at a lower cost. An added benefit is that the mission directorates are now co-responsible for thinking how to deal with the shrinking Agency administrative service budget.

Recommendations:

- Review Lessons Learned from the CIA/DA. Engage with DOE, DOS and other agency which has implemented working capital funds.

- Select two pilot programs for implementing Working Capital Fund. (note: CIA chose Logistics Operations Center and the Motor Pool). We recommend Project ASSURE and NCS be adopted as the pilot programs.

- Identify potential cost savings associated with implementation of a Working Capital Fund.

- Solicit support from Stakeholders and OMB.

- Implement pilot program.

Accountable Authority: FMO
Timeline: 90 days- 1 year (Research followed by Pilot Program Implementation - 1 year)

Resource Management 18: Examine NSA's use of contractors with a goal of moving towards using Contractors to provide solutions rather than human resource support.

Finding: Our stakeholders do not understand or condone NSA's policies and practices regarding the use of contractors. Approximately 1500 contractor personnel are currently augmenting the DT workforce (800 are elsewhere in the Agency). Congressional and industrial critics of our business practices accuse NSA of using the contractor community as a source of manpower rather than as "solution provider", thus depriving the Agency of their major expertise.

Recommendation:

- Task the DDCM to chair a small group of NSA executives and several contractor executives to review NSA's use of contractors.

- Develop a policy articulating the conditions under which it is permissible contractor personnel to be used to augment NSA developers.

Accountable Authority: DDCM
Timeline: 180 days

Workforce 19: Revise our pay system to attract and retain needed skills.

Finding: Employee pay is already consuming a majority of our annual budget. Yet, our stakeholders and customers tell us that we do not have the appropriate skill mix applied to and reflected in our core mission support. Anecdotal evidence indicates that we are losing many of our best and our brightest as a result of competition for scarce technical talent in the market place.

Our cultural approach to pay and compensation is one of entitlement versus one of pay linked to performance and responsibility. "Strong stovepipes exist that are not supportive of the mission and are contrary to the values espoused as important to NSA. The current compensation system does nothing to correct this situation and even helps foster it." Our compensation program needs immediate action and revision in order to provide a necessary foundation to attract and retain the balance of skill mix required to support NSA in the Information Age.

Unlike other agencies and industry practices, our promotion system is directly tied into our pay system. In standard practice, although there is a link, the promotion system is independent of the performance management system. Standard industry and government agency practice outside of

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NSA links grades with all positions in an organization. The number of positions, their types, or categories (i.e. what they do and what they accomplish) are aligned and justified by their support to the business plan and corporate strategy. Positions are then benchmarked against industry, in terms of span of control, responsibility, accountability, experience, and knowledge (managerial as well as technical). Performance in current position must be at a minimum satisfactory, preferably outstanding (the only link to the promotion system). Once established, individuals selected to fill those positions, based on the criteria established for that position, attain the pay and compensation and grade appropriate for that position. Once in a position, future pay is performance-based and as appropriate, market-linked, if performance is satisfactory. For technical career paths, individuals are promoted in place, based on expertise level, demonstrated application of that expertise and contribution to unique value to the agency. Promotions based on technical career path are capped in numbers and in rank in grade. The numbers of technical career path individuals and the expertise required to be retained by an organization are very dependent on its business needs and are reviewed periodically against strategic and business plans, in their numbers, and in the depth of the expertise required. The present promotion system at NSA is confusing and appears to lack fairness to many employees. It needs revision and restructuring in practice and application to assure its competitiveness with industry and other agencies.

Recommendations:

1. Implement the Mercer Report for Permanent Compensation Reform

- Charge the DDCM to allocate necessary funding (est. $2M) and personnel (est. 8 full-time + part-time) to execute Phase II of the Mercer Report.

Accountable Authority: DDCM
Timeline: 30 Days

- Task the DDS to implement each of the three recommendations outlined in the Mercer Report

1. Create a compensation system aligned with NSA's corporate strategy and business plan

2. Change the base pay system to one that is market-based

3. Use variable pay as the primary vehicle to recognize and reward achievement

Accountable Authority: DDS
Timeline: 18 months

2. Immediately reform NSA's promotion system

- Change the grade and promotion criteria for management positions by tying them to the position as is done in most Civil Service agencies. Eliminate all Agency-level GG14-15 promotion boards and direct each Key Component to define their management positions and work with the DDS to assign "grade" and appropriate pay ranges (using industry and OPM standards for efficiency and to speed implementation).

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- Emphasize leadership performance and behaviors (both managerial and technical) in position descriptions and placement of individuals in these positions.

- When an incumbent vacates a position of responsibility for one of lower responsibility, he/she reverts to the grade commensurate with the new position, and when an appointee is elevated to a position of greater responsibility, he/she assumes the grade associated with the new position.

- Schedule a review of all positions in the organization, align their number and grade needed to support the business plan, and implement market-based practices aligned with industry and other agencies in government.

Accountable Authority: DIRNSA
Timeline: 180 days

3. Institute some tactical actions to addressing recurring pay and skills issues in the organization:

- Immediately cease the practice of fair-sharing billet cuts. As the need arises, authorize the ELT to allocate cuts to be assessed to non-mission-critical areas first.

Accountable Authority: DIRNSA
Timeline: Immediately

- Charge the DDCM to redirect DISES/DISL bonus funds to supplement the after-hours training fund.

Accountable Authority: DDCM
Timeline: 30 Days

- Create workforce awareness of our need to manage our compensation pay systems by tasking the Corporate Communications Officer to publish data and forecasts daily for the current and future program years.

Accountable Authority: Chief N6, Corporate Communications Officer
Timeline: 30 Days

- Charge Key Component Chiefs to hold managers accountable for using the P3 performance assessment to identify low performers.

Accountable Authority: ELT
Timeline: 30 Days

Workforce 20: Develop skills in our present workforce to meet current and future mission

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needs.

Finding: We have an excess of outdated skills across many career fields at NSA. The recent Clapper Study on Digital Network Intelligence revealed we are ill-prepared to meet the challenges facing us today. The SSCI TAG Report also criticized NSA as "quite literally going deaf" concluding that we have fallen short in dealing with the challenges of the information revolution due in part to an inadequate technical staff.

Recommendations:

- Task the DDCM to "fence" the required funds to support the after-hours training program - Never sacrifice mission related training programs.

Accountable Authority: DDCM
Timeline: 60 days

- Task the Key Component Chiefs to submit annual requirements for after-hours training to the DDCM. The requirements must be aligned with the skill-development goals cited in the annual business plan.

Accountable Authority: Key Component Chiefs
Timeline: 60 days upon completion of the Strategic and Business Plans

- Task the DDS to eliminate the bureaucracy of the professionalization and technical track programs by creating a single program that continually develops the true technical skills required to successfully defend and exploit the digital intelligent network.

Accountable Authority: DDS
Timeline: 180 days

- Task the DDS to establish a civilian cryptologic reserve, composed of former retired civilian and military employees as well as retired industry experts who would volunteer to serve NSA for short periods of time in contingency or crisis.

Accountable Authority: DDS
Timeline: 60 days

- Task the Key Component Chiefs to assign senior technical personnel to mentor junior members of the workforce. This will ensure that knowledge is transferred from senior to junior personnel.

Accountable Authority: Key Component Chiefs
Timeline: 30 Days

Workforce 21: Use outside expertise as a force multiplier and a force for cultural change.

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Finding: NSA is an insular organization which suffers from a "not invented here" syndrome. This tendency demonstrates itself both within NSA itself and in NSA's relationships with the outside world and results in inefficiency and waste. NSA must change that culture to be successful. We must create an environment that is more open to sharing, free of boundaries, and promotes knowledge sharing and continuous learning from all available sources.

Recommendations:

1. Task Key Component Chiefs to identify key NSA positions that could be filled by other than career NSA employees (e.g. Chief LAO, Chief Corporate Relations, FMO, Chief Scientist, and Chief Human Resources).

- Task DDS and GC to develop appropriate mechanisms for filling identified positions.

- Task DDS to establish processes for personnel exchanges from NSA to the private and public sector, and from the private and public sector into NSA.

Ensure that the processes address the placement of the individual upon return to his/her home organization.

2. Task the CIO and the Corporate Knowledge Strategist to work with the Intelligence and Defense Communities to select a standard collaborative tool.

- Ensure that the tool has sufficient functionality for use with our customers, partners and stakeholders alike.

- Do not select a "homegrown" solution. Adopt a standard commercial tool that provides the capability we need.

3. Extend knowledge sharing outside the walls of NSA by providing Internet access to each NSA employee.

- Task the CIO to create a plan for Internet access with a view toward "at the desktop" accessibility for all employees.

- Embrace the use of the Internet as a force-multiplier for NSA; a means of creating numerous virtual centers of excellence with colleagues around the world.

Accountable Authority: Key Component Chiefs, GC, CIO, and Corporate Knowledge Strategist, as specified.
Timeline: Identify positions and establish processes within 30 days; implement exchange in 180 days; internet access and collaborative tool in 180 days.

Workforce 22: Align the NSA hiring program against a corporate strategy.

Finding: NSA hiring and training programs lack a corporate strategy against which to align

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themselves. NSA has failed to define its core competencies and therefore can neither hire nor train to sustain and grow those skills. We fair-share hiring allocations, and lack agility in adjusting those allocations based on new data. Our failure to strategically manage our hiring program has been complicated by austere hiring authorizations for the past 5 years. Because of these practices, there is widespread belief among our customers and stakeholders that we are headed for a crisis in the intelligence analysis and language fields. We are mortgaging our future.

Recommendations:

1. Task the ELT to immediately define NSA core competencies aligned with our corporate strategy and business plan.

- Core competencies are to be defined as those skills essential to our core SIGINT and INFOSEC missions that need to be internally developed and retained.

- Task the ELT to determine the appropriate NSA skill-mix based on those core competencies.

- Task the ELT to review this list annually and make adjustments as dictated by the business environment.

2. Task the ELT to develop a hiring strategy in accordance with the corporate goals of the strategic and business plans.

- Immediately upon completion of the strategy, task DDS to implement the strategy. Do not delegate to another body such as the HRRG. This is the responsibility of senior leadership.

3. Examine options for other than life-long employment at NSA.

- Task the ELT to identify skills (e.g. computer science, engineering) that would be appropriate to use as the basis for a fixed-term employment pilot program. A program such as this acknowledges that many career fields are no longer suited for the traditional life-long civil service employment paradigm.

- Task DDS to develop and implement the pilot program.

Accountable Authority: ELT, DDS, as specified.
Timeline: Core competency definition within 60 days; all other recommendations within 180 days.

Workforce 23: Divest the National Cryptologic School of any training program that is available in the public or commercial sector.

Finding: The National Cryptologic School (NCS) is a valuable resource that should be preserved. Over time, however, NCS has ceased to focus on its core cryptologic business and grown its curriculum beyond its core expertise and resource base. In this era of diminished resources, NCS must concentrate its resources on NSA-unique training, rather than replicating training programs that are available outside the walls of NSA. NCS would do the corporation a great service indeed by

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focusing its resources and considerable expertise on core cryptologic training programs.

Recommendations:

1. Develop a core cryptologic curriculum at NCS.

- Task DDS to identify unique NCS cryptologic courses.

- Task DDS to review and evaluate those courses against operational requirements and identify gaps.

- Task DDS with developing a cryptologic-only NCS curriculum.

- Ensure that the curriculum is properly funded; use industry norms for investment in internal training as a benchmark.

2. Build external curriculum for all non-cryptologic training.

- Task DDS to build the non-cryptologic curriculum.

- Allocate training funds appropriately, and delegate spending authority to the Alpha-plus-two level; hold managers responsible for building training funds into their business plans.

- Reassign to core mission areas any NCS personnel affected by the change in NCS mission.

- Hold all managers responsible for clearly articulating and recording their training requirements to NCS.

- Hold all employees accountable for ensuring that the training they take gives them the requisite job skills.

Accountable Authority: DIRNSA, DDS, as specified
Timeline: 60 days for curriculum development; 180 days to begin implementation; continuous implementation

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APPENDIX C: Process Matrix

ORGANIZING NETEAM RECOMMENDATIONS WITHIN A BUSINESS PROCESS FRAMEWORK

The NETeam recommendations were intended to address key, "root cause", gaps that it believes to be foundational to substantially improve NSA's effectiveness. They were not intended to be comprehensive. This framework provides a systemic view of the NETeam's recommendations through a perspective of what business processes will be affected by the recommendations. It shows on an organizational "global" scale, what needs to be done to what process and what elements may have to be addressed to effect the change effectively. It may also reveal gaps or deficiencies that may need to be addressed in subsequent priorities.

Business processes reflect how "things get done" in an organization. Consequently, if actions are to be taken to improve an organization, they can be framed as "fixes" to a process or processes (if an issue is a "systemic" issue). The following four elements must be addressed when improving, or putting in place, a business process:

- Procedures
- People (skills/behaviors)
- Organization (Structure/Roles)
- Tools (Technology, Documentation, etc.)

Those processes that "touch" a customer, stakeholder, or partner are categorized as "core" processes. All other processes are categorized as supporting or "enabling" processes.

NETEAM RECOMMENDATIONS

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PROCESS	PROCEDURE (ACTION)	PEOPLE (SKILLS/CULTURE)	ORGANIZATION (STRUCTURE/ROLES)	TOOLS (TECHNOLOGY, ETC.)
CORE				
Service Delivery				
• Service Req Mgmt			• Consolidate support into a "virtual" or consolidated customer service org	
• Reqt Assess.				
• Resource Assign.				
• Execute Svc Act				
• Close-out Svc Req			• Consolidate support into a "virtual" or consolidated customer service org	
Prod Mfg & Deliv.				
• Prod Req Mgmt			• Consolidate support into a "virtual" or	

			consolidated customer service org	
• Reqt Assess				
• Resource Assign				
• Prod Development				
• Prod Installation				
• Closeout Sve Req			• Consolidate support into a "virtual" or consolidated customer service org	
Stakeholder Relationship Mgmt	• Develop a stakeholder engagement strategy • Develop *schedule and* accountability for implementation		• Task ELT for responsibility and accountability for processes	Develop corp performance reports on a quarterly and annual basis reflecting value added and unique value results for the nation (in stakeholder terms) produced by NSA.
Client Relationship Mgmt	• Task DDI/DDO to dev corp customer sve strat linked to strat and bus plans • Develop a set of strategies to address customer needs and	Hire outside expertise to assist with customization of prods and svcs for specific customer segments	Identify sr account mgr for each major NSA customer Implement a "single-voice" to the customer by a "virtual" or a consolidated customer service organization that serves as a single pt of entry for customers, and	Adopt a commercially available tool to track and monitor customer relationships and manage service requests.

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	relnships		tracks and monitors cust satisf and requests	
Partner Relationship Mgmt	• ELT develop a strategy for partner engagement; first identify existing partners			• Dev metrics to evaluate effectiveness and need for new ones
CORE BUS *ENABLING*				
Systems Development Projects	• Put NSA 5000 into effect as the official agency systems development policy • Create single DDO functional requirements process • Create joint planning process (DDO/DDT) to take DO's functional requirements into development pgms aligned with NSA corp bus plan		• Task DDCM to put NSA-wide policies into place, processes, roles, authorities, responsibilities • Task DDO to consolidate functional requirements process within DO • Task DO/DT to implement joint planning process • Consolidate all SIGINT sys dev activities within DT	
SIGINT Investment Projects	• Establish clear roles, responsibilities and accountabilities of DO/DT for		• Create new organization focused solely on the program mgmt of SIGINT modernization	

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	SIGINT modernization and implement them following the policies established for NSA's systems development projects		projects	

PROCESS	PROCEDURE (ACTION)	PEOPLE (SKILLS/CULTURE)	ORGANIZATION (ROLES/STRUCTURE)	TOOLS (TECHNOLOGY, ETC.)
CORPORATE ENABLING/SUPPORT				
Governance	• Propagate defined	Appoint external advisers to the ELT from industry,	Replace the current SALT structure with a leaner	

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	governance process throughout NSA by rewriting NSA Organizational Manual and position descriptions of deputy and assistant directors • Define and codify the NSA, CSS and SCE relationships in terms of specific roles and responsibilities	academia, and the media Retain outside mgmt consultants to mentor sr NSA leaders to develop skills and tools to steer through org chg Develop stakeholder buy-in for one-time extension for DIRNSA's term to 4-5 years; needed to accomplish real chg	executive leadership team (ELT) Give DDCM development authority for governance Task the EDIR as the implementation authority for the governance process Consolidate and centrally manage all corporate support service and governance activities Task DDCM to centralize all corporate governance activities Consolidate overlapping operational functions, and in the long term examine structural options to position NSA to be successful in the global network	
• Planning (strategic/ business/budget)	Create/complete strategic and business plans (including a	Hire industry/bus expert to train, mentor and coach the ELT during creation	Focus the ELT on strategic issues; not operations; Assign DDO/DDI with full	• Physically detach DDO/DDI

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	"corporately" allocated budget), which reflect changes in stakeholder/client expectations, and *aligned with forecasted* available resources Oversee and direct alignment of all work units strategic and business plans to "corporate" business planning results, eliminating duplication as found Define and develop the vision and strat of NSA's role in IO Task ELT to define customer/market segments, including products and services provided (part of strat/bus planning) Task leadership to identify stakeholders and their expectations (i.e. expected unique value) of NSA Align billet cuts based on bus plan priorities rather than "fair-share"	of strat and bus plan Modify performance plans of each ELT member to reflect responsibility for corporate planning	time responsibility for strategic mgmt issues	from their line organizations
Decision-Making	Create and implement a corp governance process Adopt/adapt industry practices of Table of Authorities; delegate decision-making to lowest feasible level	Hire outside consultant to guide development of governance procedures	• Make the ELT and the JIB the premier corp decision-making body	Relocate the DDO and DDI front offices to the 8th floor with the COO and FMO
Management Policy			• Consolidate the development of all internal management and external policies under the DDCM	

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• Corp. Commun.	Develop a corp communication Strategy to assure consistency of corp messages and availability of info on corp status and issues Implement a communication Plan for corp plan results: Communicate corp plan results, externally and internally, persistently, pervasively, and consistently	Assign a full-time corp commun officer Require that all mgrs spend time communicating corporate vision and issues honestly and with integrity		• Define the specs for implementing knowledge sharing
Corp. Perf. Mgmt	Establish leadership stds and hold leaders accountable to them Establish an overall change mgmt pgm and devote resources to it		• Create and establish a chg mgmt team	Hire a consultant to help identify corp info needs for fact-based decision-making
Human Resources Mgmt				
• Recruiting/hiring	Develop procedures to fill key NSA positions with expertise from sources external to NSA Task ELT to develop overall hiring strategy to support NSA's corp strategy and bus plan	Task key component chiefs to identify key NSA positions that can be filled by other than career NSA employees Task DDS to establish civilian cryptologic reserve force to support agency in for contingency or in times of crisis Examine NSA's use of contractors with a goal of moving towards using Contractors to provide solutions rather than human resource support		

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• Retention/Termination	Examine options for other than life-long employment at NSA			
• Training/Learning/Dev	Task ELT to immediately define NSA core competencies aligned with NSA's bus plan Limit NCS training to core cryptological skills; use external sources for all other training Establish mentoring pgms to institutionalize the transfer knowledge from senior to junior personnel Provide externally sourced mentoring to senior leaders Establish leadership as a core competency in NSA and align hiring, success planning, training and development, and rewards systems accordingly	Extend HR enterprise to achieve flow of skills from other sources Redirect DISES/DISL bonus funds to supplement after-hours training fund	Consolidate professionalization and technical track programs and focus on true technical skills required for the Information Age	Task the CIO and Corporate Knowledge Strategist to select a std collaborative tool, working with IC and DoD communities Provide Internet access to each NSA employee Fence in required funding for after-hours training
Succ Planning/Prom.	Reform NSA's promotion system; Associate position with grade and promotion criteria (similar to other agencies)		• Move 14-15 Promotion Bds to KC level	
• Perf. Mgmt	From Director downward, establish formal position descriptions aligned with organizational missions and functions and integrate with performance appraisal system		• Hold mgrs accountable for P3 assessments to identify low performers	

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• Rewards/Recog	Implement the Mercer Study Tie compensation, rewards and recognition to achievement of goals and objectives aligned with corp bus plan			
• Comp/Benefits	Implement the Mercer Study Create workforce awareness of the status of compensation structure within NSA compared to industry and against NSA bus plan			
Financial Mgmt				
• Financial Planning/Budgeting	As part of the corporate business planning activity, led by the FMO, review and align all work unit budgets, including labor, (CCP, ISSP,etc.) to the corporate business plan Create a crisis reserve to allow flexibility for crises and operational opportunities Determine viability of a working capital fund for NSA	Hire a financial management officer (FMO) with industry credentials and expertise	Consolidate all financial mgmt activity under direction of FMO	Design or fix budget request docs (IBES/CBJB) to assure they are aligned with business plan and are understandable to our stakeholders
Financial Monitoring/ Reporting			• Consolidate all financial mgmt activity under direction of FMO	Identify and develop requirements for and implement a corporate financial management sys

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Financial ctrls + processes			• Consolidate all financial mgmt activity under direction of FMO	
Materials Mgmt				
• Procurement/Acquis.				
• Inventory/asset mgmt				
IT Support Svcs				
• Infrastructure Dev				
• Infrastructure Opns				
• Desktop Svcs.				
• Applics Dev.	Buy and install a fin mgmt info sys for the FMO Implement mgmt info sys based on needs identified for corp performance mgmt			
• Technology Planning				
Facilities Mgmt			• Consolidate all mgmt of space within NSA	

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Security Mgmt				
Legal Counsel/Advice				

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APPENDIX D: The Charge

(U//~~FOUO~~) In August 1999 the Director of NSA commissioned a 60-day internal panel to produce actionable recommendations to answer both internal and external criticisms of NSA, and to addres the need for change.

(U) His Charge follows:

~~(C)~~ *"In March, our stakeholders in the Senate and the House expressed their concerns about the state of NSA and its leadership processes. As part of my introduction to NSA, the SALT identified leadership processes, resource questions, partnerships and the need for flexibility and better mentoring as key issues. In June, I described to the Chair of the House Permanent Select Committee on Intelligence (HPSCI) what action we were taking to respond to their concerns. Further, we also responded with an NSA Scientific Advisory Board (NSASAB) panel report to the HPSC) on Conventional Systems and the Digital Networks. That report made observations about the state of NSA and recommended certain actions that could be taken. I have told the House and Senate that I would conduct a thorough review of the state of the Agency in light of congressional concerns, the issues identified by the SALT, and the recommendations of the NSASAB Panel.*

(U//~~FOUO~~) *To accomplish that review, I am commissioning two panels - one populated with Agency people and another with people from outside the Agency - and giving them 60 days to recommend a way ahead. Those separate reports will inform me and the Agency with the insights and understanding necessary for us to chart our future. The external panel will be comprised of four people and will be named shortly. The internal panel will be led by Jack Devine (former DDT) with Bob Rich (former Deputy Director) serving as Special Advisor.*

(U) ***The Panel's Charter***

A. (U) *Using the explicit critiques of the Congress, the views the SALT provided me and the conclusions and recommendations of the NSASAB panel, review the state of the Agency and develop a full set of issues, including key Corporate Mission and Leadership system questions.*

B. (U) *Develop a way ahead in terms of*

mission focus (and de-focusing)

leadership processes

resources and requirements

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organizational functions, processes and structures

timing of what to do first.

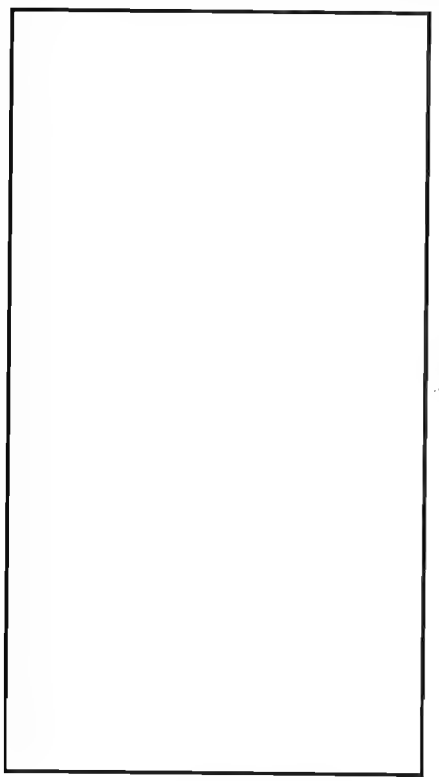
C. (U) *Provide weekly progress reports.*

(U) *It is important to focus on where we need to head and forgo the natural tendency to visit where we've been. I think we all share similar mental constructs of what we think this Agency should be. This endeavor is a great opportunity for the Agency to focus its enormous energies and project what we do for the nation into the 21st Century. I ask that the teams maximize their creativity and share with me and the Agency leadership their very best ideas."*

(U) In subsequent discussions with the internal team, the Director added that the purpose of the study was not to "answer the critics" or directly respond to the NSASAB study, but to use those inputs and other research to build a workplan for change. He asked that recommendations be grouped into things to be done immediately, in the mid term (less than 6 months), and the long term.

INTERNAL TEAM COMPOSITION:

(U) From the advice of senior leaders, the Director assembled an internal team to address the issues and make recommendations. The team has a broad range of experience and a good cross section of generations.



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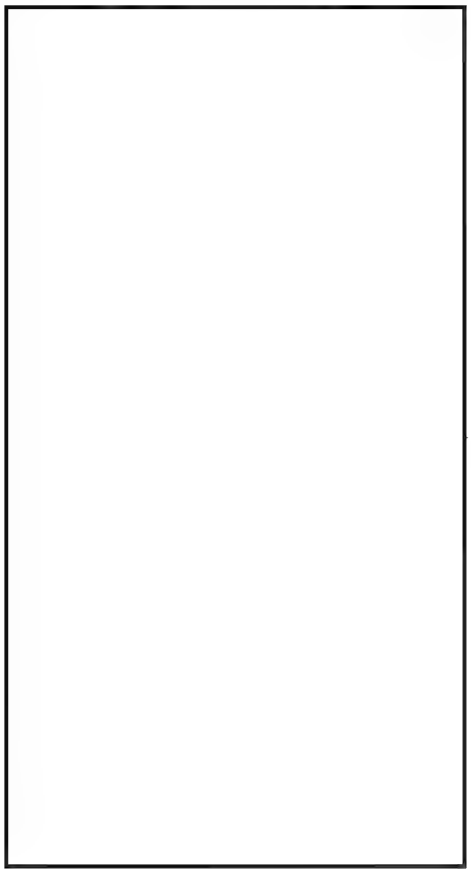

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APPENDIX E: METHODOLOGY

The team broke the 60 days into two sections. The first dealt with data gathering from readings and interviews to frame core issues. As a result of that effort, six key areas were identified as needing fundamental repair.

Strategic Alignment: NSA must align itself against a clear strategy and actionable business plan which are externally focused, i.e. on customer needs. Strategic alignment postures the Agency for success today and in the future. The strategy and business plan must be deployed to all levels of the organization and drive resource allocation and organizational structure.

Decision-making Process: Decisions must be guided by a clear sense of priorities and linked back to corporate goals. Governance-span of authority, a clear understanding of roles and responsibilities, and accountability.

Leadership: Leadership is both a set of skills and the people who apply those skills. Change is the only constant in our future. Leading change is a leadership function.

Resource Allocation and Control: The budget must be clearly aligned with the Agency's missions and functions. We must be able to account for how our resources are applied to produce outcomes for our customers, and clearly define trade-offs to adjust to rapidly changing mission priorities. We must prove how we are efficienthly executing current funds before we can seek additional funds.

Optimization of Relationships with Stakeholders, Partners, and Customers: NSA must work to become more externally focused and speak with one voice to our customers, partners, and stakeholders. Our core missions must be fully aligned against customer requirements and in line with stakeholder expectations.

Next Generation Workforce Sustainment: In a knowledge based enterprise, the workforce is an asset not a cost. The training and nurturing of the highly skilled workforce we need in order to use, defend, and exploit the global network must have a central position in our business strategy. Unless we sustain and grow our exceptional workforce, our business will fail.

The intent of the interviews with key stakeholders, benefactors, and customers was to ascertain their perceptions of NSA and their expectations for the future. Interviewees included principal stakeholders, benefactors and key NSA leaders (see appendix for list). We also sought input from our workforce through a web site. We used a set of standard questions (see appendix 1) to frame our thinking, but the actual interviews were very free-flowing and did not follow a script. We tried in every case to

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understand the interviewees' perceptions of NSA's unique value, sense of urgency for change, and possible solutions they could offer.

The second half (30 days) was dedicated to developing recommendations. In developing recommendations we included options for the Director's consideration. In this process, we scrubbed the original 73 recommendations into those which appear in this report. The team used two key outside consultants during this phase. James McGroddy (former head of IBM Research) and Nancy Wong (Pacific Gas and Electric). Both introduced the group to strategic planning tools to focus us on core isues and root causes. This was invaluable in focusing the group's attention on what is important. The exercises helped us to filter recommendations and focus our report. Gap analysis was expertly done by Nancy Wong who populated a business process matrix with our recommendations and clearly showed the gaps in our recommendations. (see appendix)

The final report was submitted in early October and a two hour session scheduled with the Director for discussions.

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Appendix F: NETeam Standard Interview Questions

I. Introduction:

What follows is a list of general questions the Director's New Enterprise Team (NET) has formulated around key issues being examined in connection with our study. The list is intended as a general framework for data-gathering, and will be used as a framework for conducting interviews in support of our efforts. The interviews are being conducted on a non-attribution basis and are intended to inform and shape our thinking on these key issues. While any responses you provide will not be attributed to you in our final report, to the extent that such responses shape our thinking and our recommendations, they may be reflected in the final report. We are interested in your personal views based on the entirety of your association with NSA. Many of you have a wealth of experience which has provided you with unique views of NSA from both inside looking out and outside looking in. We are keenly interested in those views.

Thank you in advance for your support for this effort.

V/R,

The New Enterprise Team

II. Internal Audience:

A. General:

1. Given the broad outlines of NSA's responsibilities for the national SIGINT and INFOSEC capabilities, if you had to build an organization today to provide those national capabilities, what would you build?

2. NSA has been examined/probed and found wanting. Do you see a major fault which gives rise to these findings?

3. What does NSA excel at? What are we mediocre at? What do we do poorly?

4. What is unique about NSA? If we had to cut one major mission, what should it be? If we could keep only one mission, what should it be? Is our mission too complex? Should it be simplified/more focused?

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5. If you were DIRNSA and we were your BOD, what three things would you direct us to accomplish in the near-term (90 days), mid-term (6 months), and long- term (1-3 years)?

6. We have been told repeatedly that our culture is one of our biggest obstacles to success. How (and please be specific) would you attempt to change NSA's culture?

7. Our group has identified 6 core issues to work: strategic alignment, leadership, resource allocation and control, decision making, Congressional

synchronization/teaming with external partners, and sustaining the next

generation workforce. Is this the right set?

8. If you could change one thing about NSA, what would it be? If this group could implement only one recommendation, what should it be?

9. How can we help our customers focus not just on current operations, but on the long-term health of NSA?

B. Strategic Alignment:

1. What is NSA's core business?

2. What is your organization's role relative to NSA's core mission?

3. Why should NSA continue to exist?

4. Since all organizations have plusses and minuses, some people think the best idea is to move from one to the other naturally over time. Is it time for NSA to better integrate the technology directorate with the two core business directorates (DO and DI)? Should the SALT be revamped to two tiers where the DDO and DDI and DIRNSA sit at the first tier?

5. Where do you see the NSA in 5-10 years? Are we postured for success?

6. What 3 processes in NSA need the most immediate attention?

7. What fundamental changes, short of total re-organization, would you make to ensure strategic alignment between NSA core missions and NSA support organizations?

8. Does NSA have to reorganize to fix its problems? If not, what would you do first to fix the problems? If so, how would you reorganize?

9. How do you communicate with your organization? How do you obtain feedback?

10. In NSA each Key Component devotes considerable resources to customer outreach

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and support. How could we perform this function more efficiently? What are the obstacles to merging these individual activities into a corporate customer support/outreach activity?

11. How can the offensive (provide) and defensive (protect) lines of business be made more interoperable?

12. How can the SCE's best play a role in posturing NSA for success in the future?

13. Do you know or can you easily find out the totality of requirements to which your organization is responding at any given time? If not, why not? If so, how do you accomplish this?

C. Leadership:

1. How do you handle accountability in your organization?

2. Do you believe that the NSA workforce respects the way business is done at NSA? What might they see as problems that could be fixed? Why do such problems exist?

3. Do you think NSA is more defined by personality or process? What about Microsoft? What do you think the right mix is? Where do leaders thrive best?

4. There has been much discussion about leadership problems at NSA. How would you characterize these problems?

5. What three things, in priority order, should the DIR do quickly to show effort, commitment to change, and improvement?

6. The SALT is often described as dysfunctional. If you believe this, why is it so? If you don't, why do you disagree? In either case, what would you do to substantially change it/improve its operations?

7. The SALT is made up of remarkably talented, dedicated and just plain good people. Why do you think that as a corporate body you have such a negative image among the workforce (see workforce survey) and our stakeholders and partners?

8. What is the most important thing you do?

9. How do you personally overcome obstacles to success?

10. How do you receive guidance? Have you ever willfully avoided responding to a decision made by a supervisor? Have you witnessed similar behavior in your colleagues? What, if any, were the consequences of this behavior?

11. What constitutes good leadership?

12. How can a sense of urgency be created among the NSA population, workforce and

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leadership alike?

D. Resource Alignment and Control:

1. What do you believe is a healthy ratio of investment (i.e. RDT&E and Procurement) versus salaries, leases, and maintenance (i.e. O&M)?

2. How would you improve NSA's planning for investment, to include its processes for requesting and allocating funds?

3. Our budget process often does not result in mission- or business-driven resource allocation decisions. What has caused this, and what can be done to ensure that the business drives the budget instead of the budget driving the business?

4. How should resource allocation priorities be determined and who should make those determinations?

5. How do you ensure that your organizational/mission priorities are reflected in the NSA budget?

6. Your performance appraisal holds you accountable for performing certain tasks. Do you either control or can you influence the resources allocated to the performance of those tasks?

7. How can NSA achieve accountability and traceability in the budget process?

8. How do we factor people and infrastructure costs into our budget process?

9. NSA leadership appears centrally focused on the SIGINT budget, yet there are not only multiple SIGINT budgets, but also an INFOSEC budget. How do we achieve better balance among these multiple budgets?

E. Decision Making:

1. What are the systemic impediments to your ability to make and implement important decisions?

2. How do you make decisions? What process do you use?

3. What NSA corporate decision or change made in the last 2 years do you most regret having been adopted?

4. What do you view to be the greatest inhibitor to a timely, corporate decision-making process? What would you do to correct the situation?

5. How do you hold subordinates accountable for their response to your decisions? What mechanisms do you have to hold them accountable?

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6. What is the hardest decision you've made in the last year?

F. Congressional Synchronization/Teaming with External Partners:

1. What changes do you believe should be made to vastly improve upon our credibility with Congress?

2. What are your thoughts on the use of external business consultants to handle NSA's resource problems?

3. NSA has numerous external partnerships (academia, industry, the IC, etc.). Can you cite examples of particularly successful ones and unsuccessful ones? Who should be responsible for ensuring that these partnerships are providing a return on investment?

4. Which stakeholders are critical to success in NSA's current and future missions? Please describe a recent interaction with one of these stakeholders? If you had it to do over, what would you do differently?

5. How can we increase collaboration with other partners (e.g. CIA, DISA and others) who have criticized our failure to share information and talent with them?

6. NSA has over 1000 people in the field, co-located with partners and customers. Given that we are now in the "cyber age", are there alternative customer and partner support mechanisms we should explore?

7. What kind of relationship should NSA have with Industry?

8. Are there strategic alliances necessary to our success in the future that we are not pursuing today?

G. Sustaining the Next Generation Workforce:

1. What is the ideal new hire mix for SIGINT/INFOSEC producers versus support personnel?

2. Should NSA be twice as big or half as big?

3. Why do people come to work at NSA? Why do they stay? Why do they leave? What do they like best about NSA? What are some of the bad things about working here?

4. We have heard repeatedly that our core competencies have eroded. What do you think NSA's core competencies are?

5. How have you been mentored over your career? Do you provide active mentorship to junior personnel? If so, how do you identify personnel to mentor? What characteristics do you look for?

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6. Over 50% of the NSA budget goes to personnel. Some say that this negatively affects both our readiness and modernization posture. Should this percentage be reduced? How?

II. External Audience:

A. General:

1. Given the broad outlines of NSA's responsibilities for the national SIGINT and INFOSEC capabilities, if you had to build an organization today to provide those national capabilities, what would you build?

2. What does NSA excel at? What are we mediocre at? What do we do poorly?

3. What is unique about NSA? If we had to cut one major mission, what should it be? If we could keep only one mission, what should it be? Is our mission too complex? Should it be simplified/more focused?

4. NSA has been examined/probed and found wanting. Do you see a major fault which gives rise to these findings?

5. There has been a recommendation that Intelligence Community agencies be merged to strengthen output, to consolidate like activities, and to maximize finite resources. Do you see a merger of IC agencies as a viable option for the future?

B. Strategic Alignment:

1. What is the most important change NSA can make to align itself with the DCI Strategic Intent?

2. What three key goals would you expect to see in NSA's business plan?

3. What is NSA's core business?

4. Why should NSA continue to exist?

5. Does NSA's core business need to change? What, if any, business line should NSA divest itself of?

6. Where do you see the NSA in 5-10 years? Are we postured for success?

7. Can you characterize the business environment for the SIGINT and INFOSEC missions today and over the next decade?

C. Leadership:

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1. Can a DIRNSA be successful in a structure in which DIRNSA:

a. is a transient leader with a 3-year tenure,

b. is the military leader of a largely permanent civilian workforce andleadership team, and

c.works for both the DCI and DOD?

2. The new DIRNSA has recently arrived. What three things, in priority order, do you expect of him in the short term (90 days), mid-term (6 months), and long term (1-3 years)?

3. How do you handle accountability in your organization?

4. There has been much discussion about leadership problems at NSA. Do you see those problems, and, if so, how would you characterize them?

D. Resource Alignment and Control:

1. What do you believe is a healthy ratio of investment (i.e. RDT&E and Procurement) versus salaries, leases, and maintenance (i.e. O&M)?

2. How would you improve NSA's investment planning to include its processes for requesting and executing funds?

3. We have heard statements attributed to the DCI that SIGINT is among the top priorities for the Intelligence Community, and yet it sometimes appears that that priority is not reflected in the NFIP. Can you comment on that apparent disconnect?

4. As you know, NSA controls only a portion of the total resources allocated to the SIGINT mission. How can NSA "provide an effective, unified organization and control of all SIGINT collection and processing activities of the United States and produce SIGINT in accordance with the objectives, requirements and priorities established by the DCI", if it does not control those resources?

5. How do you ensure that your priorities are reflected in budget allocations? In human resources decisions?

6. How can NSA achieve accountability and traceability in the budget process?

E. Decision Making:

1. The NSA decision making and leadership systems have been criticized as "broken". Do you see evidence of that? Why do you think the problems continue to exist despite external criticism?

2. How do you make decisions? What processes do you use?

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3. What do you view to be the greatest inhibitor to a timely corporate decision-making process? What would you do to correct the situation?

4. How do you hold subordinates accountable for their response to your decisions? What mechanisms do you have to hold them accountable?

5. What is the hardest decision you've made in the last year?

F. Congressional Synchronization/ Teaming with External Partners:

1. What change do you believe should be made to vastly improve upon our credibility with Congress?

2. Which stakeholders are critical to success in NSA's current and future missions?

3. How can we increase collaboration with other partners (e.g. CIA, DISA and others) who have criticized our failure to share information and talent with them?

4. NSA has over 1000 people in the field, co-located with partners and customers. Given that we are now in the "cyber age", are there alternative customer and partner support mechanisms we should explore?

5. What kind of relationship should NSA have with Industry?

6. Are there strategic alliances necessary to our success in the future that we are not pursuing today?

G. Sustaining the Next Generation Workforce:

1. What is the ideal new hire mix for production versus support personnel?

2. Please describe NSA's core competencies.

3. Over 50% of the NSA budget goes to personnel. Some say that this negatively affects both our readiness and modernization posture. Should this percentage be reduced? How?

4. Should NSA be twice as big or half as big?

5. What is the ideal percentage of production versus support personnel?

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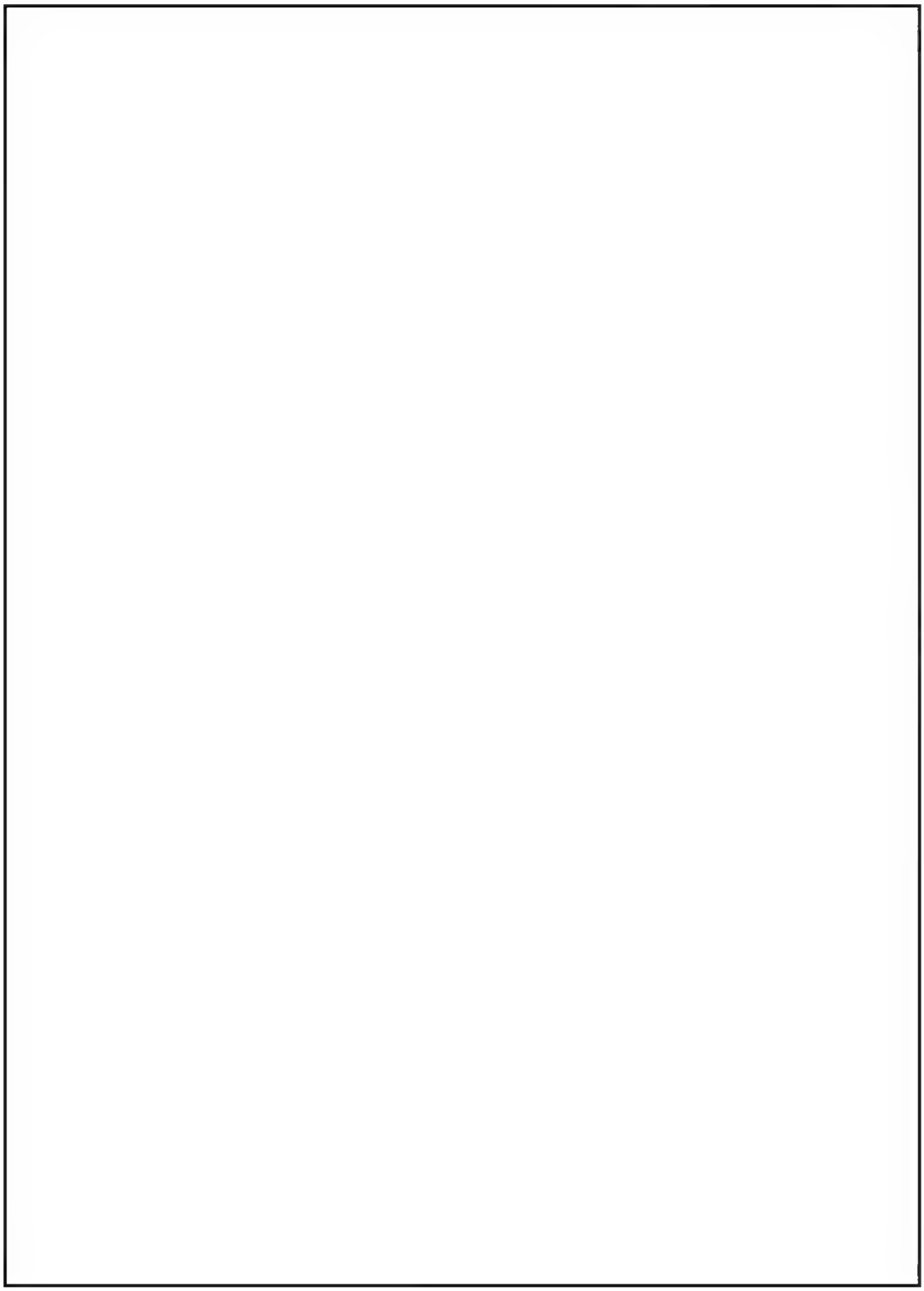
APPENDIX H: List of Interviewees



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OGA

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Frank Blanco

Executive Director, National Security Agency

[redacted]

Chief, S2, National Security Agency

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RADM Joseph Burns

Deputy Director for Corporate Management, National Security Agency

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Chief, N2, National Security Agency

Robert Deitz

General Counsel, National Security Agency

BG Barbara Fast

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Bob Libertore

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Barbara McNamara

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Rich Taylor

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Terry L. Thompson

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